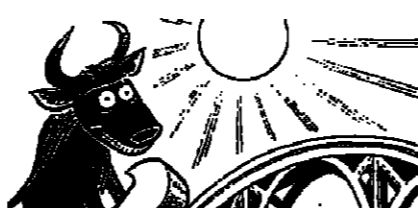




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28-page Financial
Times guide



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the money and run?
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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY FEBRUARY 14 1994

Viacom favourite to win battle for Paramount

Viacom, US cable television group, remains the favourite on Wall Street to win the \$10bn battle for control of Paramount Communications, which formally comes to a close tonight. With rival bidder QVC continuing to hint that it might improve the terms of its offer, it was unclear at the weekend if Viacom would be able to declare outright victory. Page 13

Threat to EU enlargement: A Spanish claim for extra money from applicant countries could sidetrack the European Union's drive to complete enlargement negotiations with Sweden, Finland, Austria and Norway this month. Page 12; EU finance ministers' meeting, Page 3

Export credit losses hit record: The German government's export credit insurance programme, Hermes, last year suffered its worst deficit - DM5.1bn (\$2.9bn) - mainly because of losses on business with the former Soviet Union. Page 12

EC 'traffic bond' plans: The European Commission is considering launching bonds tied to the volume of road traffic to help develop Europe's transport network. Page 12

American wins Olympic downhill title
American Tommy Moe, left, won the downhill skiing title on the first day of competition at the Winter Olympics at Lillehammer, Norway. Moe, 23, unheralded before the race, won by four-hundredths of a second ahead of Kjetil Andre Aamodt of Norway - the narrowest margin of victory in Olympic Alpine history. Canada's Ed Podivinsky took the bronze medal.

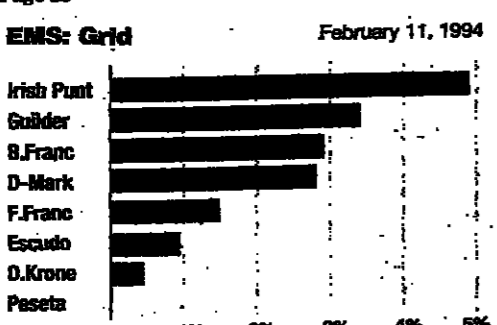
Lloyd's, the London insurance market, does not expect to reach an out-of-court settlement to legal action involving more than 17,000 of its investors. The deadline for investors to accept the \$900m (\$1.3bn) deal is today. Page 12; Will they take the money and run? Page 11

OECD tackles bribery: Senior officials from the Organisation for Economic Co-operation and Development's member countries meet in Paris today and tomorrow to seek common guidelines for clamping down on bribery and corruption. Page 5

Lottery 'dirty tricks' claims: GTEch of the US, the world's biggest lottery company, claimed it was the victim of a dirty tricks campaign designed to harm its chances of winning a role in the UK's National Lottery. Page 6

Japanese equities win support: UK institutions are showing renewed enthusiasm for commercial property and a greater appetite for Japanese shares, according to a survey carried out for Smith New Court, UK securities house. Page 14

European Monetary System: The D-Mark made up ground within the EMS grid last week, but still remained in fourth place behind the Belgian franc. The relative strength of the D-Mark reflected the market view that the Bundesbank council is unlikely to ease monetary policy when it meets on Thursday. The Irish punt lost ground but remained the strongest currency. Currencies, Page 25



The chart shows the member currencies of the EMS grid as of February 11, 1994. The D-Mark is the strongest, followed by the Belgian franc, the Swiss franc, and the Italian lira. The Irish punt is the weakest.

Rogers' \$2bn bid could face resistance: The board of Maclean Hunter, Canadian publishing and broadcasting group, is unlikely to give unconditional approval this week to the takeover bid worth at least C\$2.8bn (\$2.1bn) from Rogers Communications of Toronto. Page 13

Arabs die in Gaza: Two Arabs suspected of aiding Israel were killed by Palestinians in the Gaza Strip. In the West Bank three Israelis were wounded by Islamic militants.

Mexico warns to US banks: The Mexican government will this week invite US and Canadian-based banks to apply for licences to set up Mexican subsidiaries. Citibank is the only foreign bank now operating in Mexico. Page 15

Burmese boat deaths feared: About 200 Burmese, many of them women and children, were feared dead after a boat taking them home capsized off the southern Thai province of Ranong.

First on Time: Time magazine named Margaret Carlson, a former White House reporter, as the first female columnist in its 70-year history.

Russia faces population crisis as death rate soars

By John Lloyd in Moscow

Russia is facing a double population crisis - a dramatic rise in death rates and a sharp fall in the birth rate, according to official figures which have largely been kept hidden from public debate.

In the past year alone, the death rate jumped 20 per cent, or 350,000 deaths more than in 1992. Researchers now believe that the average age for male mortality in Russia has sunk to 59 - far below the average in the industrialised world and the lowest in Russia since the early 1960s.

The results, which have been a matter of close concern at the level of Russia's National Security Council, are only now trickling out. Some were given at a conference last week at the New York Hariman Institute by Ms Natalia Rimashevskaya, head of the Institute for Socio-Economic Studies of the Population, while further research into the figures has been done by Ms Judith Shapiro, a British academic working with the macroeconomic and finance unit which was attached to the Russian finance ministry until last month.

Ms Rimashevskaya's findings showed,

she said, an "unprecedented" rise in the death rate, with much of the increase due to "killings, suicides and conflicts". However, infant mortality had also gone up sharply, from 17.4 in 1,000 in 1990 to 19.1 in 1,000 last year.

The average age of death (for men and women) was now, she said, "at 66 or lower" - the same level as in the early to mid 1960s and four or five years below the figure that had been achieved more recently. In 1993, 1.4m people were born and 2.2m died - although inward migration of Russians from former Soviet republics compensated to some extent,

bringing the net fall in population to 500,000 last year.

Ms Shapiro's findings, based like Ms Rimashevskaya's on figures from the state statistical committee Goskomstat, which have had very limited availability, show men to be the main victims of earlier deaths. The average death rate has been brought down to 59, she says, largely through two causes - a higher rate of coronary disease and strokes, and more violent deaths.

Of the total of 350,000 extra deaths in 1993, nearly 50 per cent were from heart and circulatory failure and more than 25

per cent were from violent causes. Ms Shapiro says that simple poverty, and the state of the post-Soviet health service, are probably minor causes of the phenomenon. More significant is what she calls a "psycho-social crisis" in which greatly rising insecurity and worry about crime, hardship and change play a large part.

Ms Rimashevskaya says the decline of births is partly due to a simple shortage of women - but more because women of child-bearing age postpone having children or decide not to give birth "because of the poor situation in the society".

US looks at sanctions as way to open Japan trade

By Jurek Martin in Washington and William Dawkins in Tokyo

The US will today begin a review of trade and economic measures that might be used against Japan in the wake of the failure of Friday's bilateral summit to resolve deep differences over the best means to secure greater US access to Japanese markets.

After a farewell breakfast with President Bill Clinton on Saturday, Mr Morihiro Hosokawa, the Japanese prime minister, warned the US not to impose trade sanctions. His aides hinted that Japan would take action against the US under the General Agreement on Tariffs and Trade or take retaliatory measures of its own in the event of excessive US action.

US officials, taking heed of Mr Clinton's call for "a period of reflection", did not identify which Japanese goods might be targeted or how or when. But one warned that the administration would be "clobbered" in Congress, and by business if it did not respond. Mr Mickey Kantor, the US trade representative, will undertake the initial review.

The first concrete US response may come tomorrow when Mr Kantor's office is scheduled to pass judgment on a complaint from Motorola that Japan has not lived up to the terms of the 1989 agreement granting the US company greater access for its cellular phones in the main urban corridor from Tokyo to Osaka.

Other options under consideration include Mr Clinton invol-

■ Plaudits pile up at home for
hardline Hosokawa Page 4
■ Backing for Clinton Page 12
■ Lex Page 12

ing, by executive order, the "Super 301" provisions of US trade law. Under Super 301, countries deemed systematically to discriminate against US goods and services are identified by name, setting in motion a process that can lead to sanctions.

The US is also expected to keep the pressure on Japan to further stimulate its economy. It may also seek to drive the yen upwards, thus reducing the competitiveness of Japanese exports. On Friday Mr Clinton had included the exchange rate as one of the "objective criteria" the US wanted applied in measuring progress to more open Japanese markets.

However, both leaders stressed on Saturday that in matters other than trade the relationship was in good shape. Mr Hosokawa's reference to disagreements being normal among "grown-ups" was echoed by US officials who believe in a more "mature" relationship than has necessarily been the case since the second world war.

Yet both leaders won domestic political plaudits from Friday's failure. Mr Hosokawa returned home yesterday to general support for his tough line against



Cold comfort: Tokyo shopworkers sweeping snow from the pavements of the Ginza district yesterday take time out for a snowball fight after Saturday's heavy falls. Associated Press

Russia softens stance on air strikes

By John Lloyd in Moscow and Jurek Martin in Washington

Russia has significantly softened its opposition to air strikes on Serb positions in Bosnia a week before the United Nations deadline for the withdrawal of their artillery from around Sarajevo expires.

Mr Andrei Kozyrev, the Russian foreign minister, said at the weekend that Russia would agree to air strikes - but only "as a last resort". He said they would have to be called for by UN forces on the ground and cleared through the security council by Mr Boutros Boutros Ghali, the UN secretary-general.

Mr Kozyrev's remarks came after a telephone conversation between President Boris Yeltsin and President Bill Clinton on Friday night, at which - according to the Russian president's press spokesman - the two had agreed to "step up work" with the opposing groups on whom they had most influence. Mr Kozyrev himself talked by telephone on Saturday to Mr Warren Christopher, the US secretary of state.

Mr Kozyrev, who had earlier refused to countenance air strikes under any conditions, said on Saturday that he now viewed them as "conceivable and possible - though not welcome". Senior US officials yesterday emphasised what Mr William Perry, the defence secretary, described as the "new energy" being devoted to diplomatic

Continued on Page 12

Inkatha joins with rightwing whites to boycott elections

By Patti Waldmeir in Johannesburg

The Zulu-based Inkatha Freedom party said at the weekend it had made a final decision to join white rightwing parties in opposing South Africa's April elections. The decision increases the threat of election-related violence and raises doubts about whether a poll can be conducted nationwide.

Inkatha called on its supporters to boycott the poll and to campaign with the conservative Afrikaner Volksfront (Afrikaner People's Front) to ensure it is cancelled. Both Inkatha and the AVF were careful to avoid an overt call to violent resistance - Inkatha said it would use only legal methods to oppose the poll and the AVF said it would "give priority to peaceful means". But Chief Mangosuthu Buthelezi, Inkatha leader, warned that the boycott could bring death and bloodshed.

"It is impossible for me to lie to you and reassure you that the IFP opposition to fighting the elections under the present con-

stitution will not bring casualties and even death," the Zulu leader told about 10,000 supporters. He called on them to set up self-defence units.

"If we do not defend our people, no one else will. We must defend our communities with all our might. We must defend and fight back. We must resist the African National Congress and their communist surrogates," he said.

The three groups in the rightwing Freedom Alliance - Inkatha, the AVF and the black homeland of Bophuthatswana - allowed a weekend deadline to pass without registering to participate in the election, to be held on April 26-28. They reject the 1993 constitution which provides for strong central government rather than the devolved government which the right demands.

Both the government and the ANC said parties could register even after the deadline, but only if progress is made in constitutional negotiations. Meanwhile Mr Kobi Coetsee, defence minister, said South Africa's defence force was taking

measures to meet a threat from the white right. "The defence force has tightened up security at its bases and taken measures to safeguard its armaments," he said, adding that the force had withdrawn weapons issued to white part-time soldiers who had "abused" them.

Inkatha said it remained committed to negotiation and called for international mediation to break the deadlock. But Inkatha officials made clear that the KwaZulu government, which Chief Buthelezi heads, would not allow polling booths to be set up in the homeland. This puts KwaZulu on a collision course with the central government, which said it would use "physical force" to ensure the poll takes place.

South Africa's worst nightmare would be joint resistance by the white and black right, with whites providing commanders, training, strategy and perhaps heavy weaponry from defence force armories, and Inkatha large numbers of fighters.

Things threaten to fall apart, Page 10

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14th February 1994

Presence of Washington negotiators may revive Geneva peace process, diplomats say

US move brings new hope for Bosnia talks

By Judy Dempsey in Geneva

Talks in Sarajevo this week could change the pace and direction of efforts for a settlement in Bosnia, when US diplomats put into effect Washington's decision to play a greater role in seeking a negotiated settlement for Bosnia.

Nato officials said this week-end that the presence of a team of US negotiators in Sarajevo could change the nature of the Geneva peace process, now that Washington - belatedly - has become actively involved and has thrown its weight behind Nato air strikes on Serb artillery batteries around the Bosnian capital.

"The problem with the Geneva negotiations is that they failed to motivate all three sides sufficiently to make them all sign up to a peace agreement," another Nato diplomat said.

"The threat of the use of force, which is real for one, and other elements on the ground could really move along these talks."

The current peace plan, drawn up by Lord Owen and Mr Thorvald Stoltenberg, envisages dividing Bosnia into three ethnic states, nominally within a republic of Bosnia. In practice, it would link Serb- and Croat-controlled areas with their respective patron republics, leaving the Bosnian Muslim statelet vulnerable and sandwiched between two hostile states.

US officials, however, are unwilling to reveal what plan they will put on the table in Geneva when the talks reconvene at the end of this month. "This process [in Geneva] has made a lot of progress. But it has not been able to bring it to a close, even though the negotiators keep saying the differences are very narrow."

"If so, why the delay? The Americans will try to stimulate the process in a different way that could get us to the end of the road," a Nato diplomat said.

In becoming more engaged at Geneva, the US wants to establish "what is the Bosnian gov-

ernment's bottom line" for accepting peace; work out how to cement, or at least improve relations between Croatia and Bosnia, particularly in western Hercegovina; and establish at what price President Slobodan Milosevic of Serbia would make more concessions in order to have sanctions lifted.

Nato diplomats believe the Bosnians could accept peace if they knew that the territory they will control will be ethnically homogenous, will have access to the sea, and will be backed by an economic reconstruction programme. "Let's be clear. If the Bosnians are forced to sign, there will be no lasting peace. Also, the US will not twist their arm to accept the present plan. That will not bring a lasting peace," a Nato diplomat said.

The Croats, who have supported Serbia in its carve-up of the republic between Belgrade and Zagreb, are slowly shifting their ground. In Geneva last week, Croats and Bosnians discussed securing stability in western Hercegovina, especially in Mostar, the regional capital.

The city, which never received the attention that Sarajevo did, is almost rubble in the wake of Croat shelling, while in central Bosnia, also off the main headlines, scores of people are killed each day in clashes between Bosnian and Croat forces.

"The Croats know we are approaching the end-game, but this time from the western angle not the Serbian side. We are prepared to slap sanctions on them. They have gotten away with too much," the Nato official said. He added that President Franjo Tudman of Croatia, an ally of Mr Milosevic, is now supporting the Nato strikes.

"The Croats are fickle. They back the winning side. They know the US could push for sanctions," he added.

Yet the US knows it is Mr Milosevic who can, with the crucial support of some hard-liners on the ground in Sarajevo, hold the key to peace.

Sarajevo: a city waiting for peace



Nato aircraft

US	UK	France	The Netherlands
Aviano	Glebe Det Colle	Cervia	Villafraanca
12 F-16C fighters	3 F-16C fighters	10 Mirage 2000 fighters	3 F-16C fighters
8 F-16D fighters	3 Jaguar attack aircraft	3 Jaguar attack aircraft	3 F-16C fighters
12 C-130 attack aircraft	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
3 EC-130 EC-130 airborne battlefield control	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
4 AC-130 gunships	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
Pisa and Sigonella	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
10 KC-135 aerial refueling aircraft	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
Saragat (Adriatic Sea)	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
12 F-16C fighter jets	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters
6 A-6E aircraft	3 Kf-119 tankers	3 Kf-119 tankers	3 F-16C fighters

Western efforts to secure the withdrawal of Bosnian Serb forces from around the besieged Bosnian capital of Sarajevo, before the Nato deadline next Sunday, were progressing in fits and starts, Judy Dempsey writes.

For most of the day, Serb forces stopped handing over their heavy artillery pieces to United Nations military personnel. General Manojlo Milovanovic, chief of staff of the Bosnian Serb army, said the process had come to a halt. The UN forces had failed to take corresponding measures against the Bosnian forces, he added.

But, late yesterday afternoon, UN officials said Serbian command had re-started and they reported that five artillery pieces had been handed over. This is a trickle, however. Hundreds of long-range weapons remain to be surrendered if the 22-month siege of Sarajevo is to be lifted peacefully.

As a measure of what UN negotiators in and around Sarajevo might have to face in the next few days, Gen Milovanovic said the UN was failing to disarm, or neutralise the Bosnian (Muslim) infantry, which he said outnumbered Serb forces. The Bosnian infantry is lightly armed but increasingly organised. It has succeeded in defending the city, as well as in making territorial gains in central Bosnia.

Gen Milovanovic told reporters at Pale, the Bosnian Serb headquarters: "The UN was unable to secure control of the Muslim infantry. Therefore, I did not allow the withdrawal or control of the Serbian artillery." The UN had asked the Serb forces to hand in about 30 heavy artillery pieces.

The general had earlier told Politika, the Belgrade daily, that his forces would be able to shoot down some Nato aircraft. "Gun crews are in full combat readiness as if air strikes were about to begin now."

UN officials in Sarajevo are concerned that Bosnian forces might provoke the Serbs into breaking the ceasefire, and thus prevent the delivery of heavy weapons to UN control. Admiral Jeffrey Boorda, Nato's southern European commander, insisted that all heavy weapons should be withdrawn from around Sarajevo, adding that the Nato ultimatum was not directly exclusively at the Serbs.

At the same time, General Michael Rose, UN commanding officer in Sarajevo, said Bosnian government forces had broken the ceasefire at the weekend. He said the Bosnians were trying to provoke the Serbs, implying that the forces loyal to the Bosnian government wanted to precipitate air strikes.

Yesterday, Hina, Croatia's state-run news agency, reported heavy clashes between Bosnian and Croat forces around Vitez, in central Bosnia.

"Milosevic wants those sanctions lifted. The US is here now to motivate all the sides. We don't have a timetable. But one thing is sure. This war cannot be won militarily... it has got to take advantage of what Nato has done. But in order to stop

the suffering, all of them are going to have to find a negotiated political solution. That's the US message," the diplomat said.

But Nato diplomats admit that even if the threat of the Nato ultimatum can put pres-

sure on the Geneva talks to reach an eventual settlement, it will be difficult for the three sides to trust one another, either at the negotiating table or on the ground.

"Each side has become so radicalised, and the Bosnians

often feel they were being treated the same, as if they were equally to blame for the war at Geneva," a Nato diplomat said. He added that the US would "try to promote trust" among the Bosnian delegation, and also among the other two

sides. "It won't be easy," he continued. "But by having the US on board, all three sides will realise that behind that presence is Nato. That could well speed up the negotiations. But nobody lays hope to fortune in these talks."

However, the official figures may underestimate the size of the economy. Prof Popovic estimates that the black economy, based on sanctions-breaking and tax evasion by small businessmen, is equivalent to 33 per cent of GDP.

Some 750,000 workers - 25

Slovak premier calls for early poll

By Patrick Blum in Vienna

Mr Vladimir Meciar, Slovakia's prime minister, has called for early elections and the resignation of two senior government members in a weekend offensive against his opponents.

Fighting off opposition calls for his own resignation and the appointment of a transitional government, Mr Meciar said a general election before the summer would be "the most honest solution" to the crisis dividing his government. The last general election was in June 1993 and the next one is not due until 1996.

Legislation, including an important new bill on privatisation, is blocked by parliament, where the ruling coalition is in a minority following successive defections.

Speaking after a special meeting of his HZDS party national board on Saturday, Mr Meciar called for the resignation of Mr Roman Kovac and Mr Jozef Moravcik, respectively deputy prime minister and foreign affairs minister, following their support for moves to replace the government by a broad coalition including non-partisan experts. Both ministers are HZDS members. Mr Moravcik said he would not resign.

The meeting was prompted by the creation last week of an Alternative to the HZDS faction by 10 HZDS deputies opposed to Mr Meciar.

The prospect of an early general election was welcomed by the left-wing Party of the Democratic Left (SDĽ), successor to the former Communist party, which is level with the HZDS in opinion polls.

Referendum for Crimea

Newly elected Crimean President Yuri Meshkov said yesterday he would press ahead with plans to hold a referendum on Crimean independence. Heater reports from Crimea, however, told the Commonwealth of Independent States television channel that voters would be asked the question: "Are you in favour of an independent Republic of Crimea in union with other states?"

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Three weeks on, the super dinar is still working

By Kerin Hope in Belgrade

Quails' eggs, Italian ice cream and kiwi fruit have appeared again in Belgrade supermarkets since the "super dinar" was launched three weeks ago as the beleaguered Yugoslav government's cure for hyperinflation.

But the return of these tasty luxuries to the streets of the Serbian capital is a cruel illusion. Only Belgrade's new rich, the profiteers who smuggle petrol and other goods in defiance of UN sanctions against the rump Yugoslavia, can afford them.

Despite the relief induced by a few weeks without inflation, the government's chances of maintaining monetary stability, let alone implementing measures that will revive the economy, appear slim.

The new dinar, fully convertible and equivalent to DMI, was introduced after several months during which it was possible to measure Yugoslav inflation by the hour and the D-Mark had come close to replacing the national currency.

Although the super-currency is backed up by only \$150m (£102.7m) in hard currency

reserves, according to the central bank, prices of meat, milk and other staples plunged as goods hoarded by producers and wholesalers flooded back into shops.

Old dinars are still circulating, but at just over 12m for one new dinar, are so inconvenient to handle they are fast disappearing.

However, lower food prices have been offset by sharp increases in telephone and electricity tariffs, while new taxes are making life difficult for small businesses. Analysts warn that without curbs on public spending, including a

military budget which absorbs 7.6 per cent of outlays, the government's attempts to increase revenues will have little impact on a widening deficit, forecast to reach as much as 35 per cent of gross domestic product.

Prof Tomislav Popovic of the Institute of Economic Sciences believes Belgrade's tenuous monetary stability will collapse in the next two months.

"Rising costs will be passed on to consumers and the government will have to choose between facing social unrest, or printing more money and resuming the inflationary cycle," he says.

The first hint of trouble came last week when the Serbian government announced that the country's 1.3m pensioners would receive free food packages this month but only 57 per cent of their normal pension payment. With the average monthly salary now DM50 (£19.40), while pensions average DM34 a month, most Yugoslav families must dig into their savings to survive.

The cynical view is that the government is intent on absorbing most of an estimated DM1.5m still held by private savers in Serbia and Montenegro to boost its hard currency reserves.

The central bank says foreign exchange reserves have risen by DM79m in the past three weeks as foreign currency holdings have been converted into dinars under the new system.

This is relatively slow progress, and the fact is that UN sanctions, together with the war in Bosnia and the breakdown of tightly integrated trade relations among the former Yugoslav republics, have brought the official economy close to collapse.

Some 750,000 workers - 25

per cent of the workforce - are registered as unemployed and 1.2m more are on paid leave.

Gross domestic product, now only a third of the 1990 level, is forecast to decline by at least 15 per cent this year. After a 40 per cent drop in industrial output last year, agriculture now accounts, officially, for more than 60 per cent of GDP.

However, the official figures may underestimate the size of the economy. Prof Popovic estimates that the black economy, based on sanctions-breaking and tax evasion by small businessmen, is equivalent to 33 per cent of GDP.



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The "Financial Advisory Committee" will evaluate the responses received and invite those selected to submit detailed financing proposals.

All expressions of interest must be addressed to the Chairman, "Financial Advisory Committee" at the following address, to be received by him on or before Monday, 28 February 1994.

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FINANCIAL TIMES

Tax on felling forests urged

By Browne Maddox
and David Lascelles

The European Union should introduce a tax on timber to reflect the environmental cost of cutting down forests, according to Mr Ioannis Paleokrassas, environment commissioner.

"Timber is a resource we could price more correctly," he said. "If we carry on as we are, forests will be decimated."

A timber tax would be graded according to the origin of the timber, he said in London last week. Timber from old, native forests would be taxed more heavily than that from replanted forests.

The tax would apply both to imports and to wood from Europe.

He denied it would conflict with the General Agreement on Tariffs and Trade.

His comments drew a sharp response from Brazilian timber exporters. Mr Claes Hall, European spokesman for Brazil's Cellulose Exporters' Association (Abecel), said: "We grow timber in plantations like a crop - any tax should recognise the difference between this and wood from native forests, and plantation timber or products made from it should not be taxed."

Finland's ministry of external economic relations said such a tax could affect timber exports, though Finland believed that it managed its forest better than many other countries.

Finland, one of the largest timber exporters in Europe, is negotiating EU membership.

However, Mr Paleokrassas's plan is at an embryonic stage. He has yet to decide a timetable for turning the tree tax idea into a formal proposal.

Even if he were to table the plan it would have to navigate obstacles which have stalled other proposed European "ecotaxes", notably a tax on energy and its carbon content. Member countries have complained that such taxes are a handicap to industrial competitiveness.

The Commission, which has been criticised by member countries for failing to enforce its extensive environmental regulations and directives, has said recently that it prefers to use "financial instruments" such as taxes to pursue environmental aims.

Decision-making now too complex for ordinary citizens to understand

Call to open up European maze

By Lionel Barber in Brussels

Decision-making in the European Union has become so complex that it is impossible for the ordinary citizen to understand, according to the EU's senior lawyer in Brussels.

Mr Jean-Claude Piris, head of the European Council's legal service, says the Maastricht treaty is partly to blame. New procedures and rules have turned the EU into a "veritable labyrinth".

According to a paper circulating in Brussels, Mr Piris argues that reforms under way, though useful, do not go far enough.

"In order to be genuinely accepted and properly understood, the system ought to be profoundly reformed one day, so as to move toward more transparency," he says.

Mr Piris was involved in drafting the Maastricht treaty. He also devised the formula which allowed the Danish government to argue that it had won legally binding opt-outs, from Maastricht, securing a decisive win in a second referendum last year.

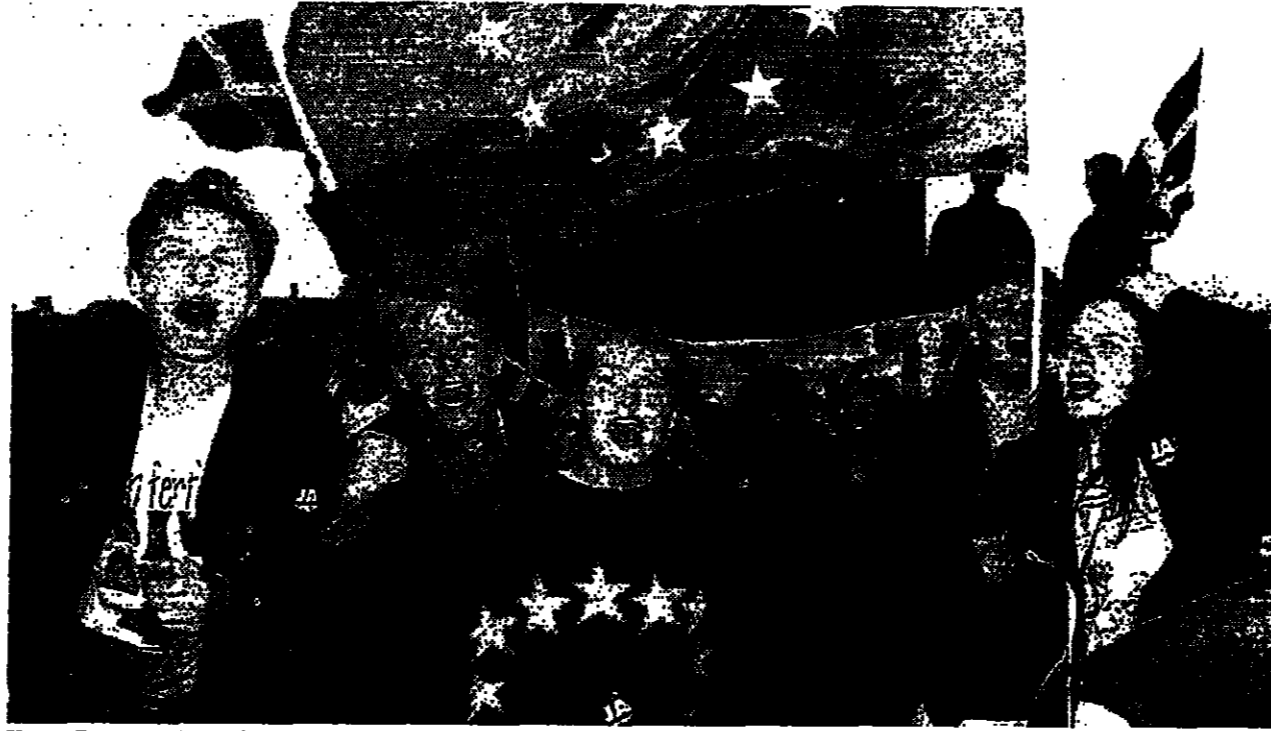
Mr Piris concedes that reform of decision-making will be difficult because it implies a choice between those favouring deeper integration and those, such as the UK, preferring looser inter-governmental co-operation.

The complex, opaque nature of decision-making in Brussels results from the need to compromise between these forces, not because of anonymous "diplomats and technocrats" who took part in the Maastricht negotiations, he says.

Mr Piris suggests several reforms:

● A "single, shorter, more readable treaty" which would consolidate texts such as the Treaty of Rome, the Single European Act, Maastricht and others governing operation of the EU.

● Clearer demarcation of the areas of responsibility for the Council, the Commission and the Parliament, as well as



Young Danes celebrate the Yes vote in their country's second Maastricht referendum last year - the national No vote the year before was seen partly as the revolt of the 'ordinary citizen' against distant and unaccountable decision-making

between the Union and the member states.

● Modification of decision-making processes. Ministers involved in decision-making must at present follow at least 20 different procedures within Maastricht's framework.

● Streamlining the way in which the EU acts and is represented abroad. This could mean a seat for the EU at General Agreement on Tariffs and Trade talks in Geneva rather

than separate national seats. In his paper, Mr Piris argues strongly that the EU has done more to improve efficiency, transparency, and democracy than first realised.

He points to new powers gained by the European Parliament for scrutinising the European Commission; the creation of a European Ombudsman; publication of the Commission's legislative programme in the Official Journal in Brussels; and improved access to the public for official documents.

Mr Piris also dismisses as myth the suggestion that more majority voting would streamline decision-making.

He argues that forcing the pace on sensitive questions requiring unanimity could provoke a backlash in member states which would slow down implementation of legislation.

The opening debate among ministers is to be televised. Diplomats are watching for coded calls to the Bundesbank to bring forward the interest rate cuts which market observers believe is the best hope for an early recovery.

Ministers will also consider a revised Portuguese "convergence" plan which includes commitments to curb budget deficits and attack inflation, so as to prepare for the planned creation of a single European currency by the end of the decade.

The Portuguese plan will be the first of several revised programmes from other member states, following monetary turbulence last year.

As a separate item, Mr Clarke will raise concerns that an earlier political commitment by heads of government, to protect farmers from the effects of currency turmoil, could open the door to a flood of fresh spending.

The commitment to take "appropriate steps" to compensate farmers for big swings in currencies was made at the December 1992 summit in Edinburgh, as part of the seven-year budget agreement.

According to legal advisers in Brussels, the commitment could allow member states to use a qualified majority to trigger extra spending if that were incorporated in legal form, overriding the traditional need for unanimity on spending matters.

Growth and jobs dominate finance talks

By Lionel Barber

Rising unemployment and poor short-term prospects for economic growth in Europe will dominate the agenda when European Union finance ministers meet in Brussels today.

Talks will focus on how to carry out prescriptions in the Delors White Paper on employment and growth, which were approved at the Brussels summit last December.

Greece, which is to chair the talks today, has pledged to make the White Paper the centrepiece of its six-month EU presidency.

But its efforts will be complicated by the ideological faultline within the EU over how best to generate growth and improve competitiveness.

Mr Kenneth Clarke, UK chancellor of the exchequer, is expected to urge his partners to follow the British model and improve labour market flexibility. As he did in a recent speech in Paris, Mr Clarke will reject accusations that such steps have undermined the UK welfare state.

But other member states remain wary of moves which could provoke labour unrest at home. France, which has seen violent protests by fishermen, farmers and airline workers in recent months, will point to its policy of encouraging public and consumer spending to spur its faltering recovery.

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Revival of exit visas in France

By Hail Simonian in Milan

France has decreed that nationals of 13 countries will need exit visas to leave the country, reviving a measure adopted in the mid-1980s to combat terrorism. AP reports from Paris.

The countries include Afghanistan, Armenia, Azerbaijan, Georgia, North Korea, Lebanon, Libya, Iran, Iraq, Jordan, Syria, Sudan and Yemen. Palestinians will also need visas.

The decree signed by Mr Charles Pasqua, interior minister, was published at the weekend in the Official Journal, meaning that it took effect as

law. Interior ministry officials refused to comment on why the order was adopted. It mirrored a measure covering most other countries adopted in 1985 as a weapon in the battle against terrorism.

Store owners in ports along France's Brittany coast closed their doors on Saturday afternoon in sympathy with striking fishermen who are pressing the government for more aid to offset low prices. Reuter reports from Rennes.

Authorities said several thousand people marched in silence in the port of Le Guilvinec, where the strike began.

Italian parties jockey for poll positions

By Hail Simonian in Milan

Italy's political parties are entering a decisive week to select candidates and refine their alliances before parliament winds up for the general election on March 27.

The need to allocate parliamentary seats will concentrate minds among party leaders, who have so far focused on broad alliances and not yet grappled with the details of the election campaign.

The jockeying for position among parties comes against the background of growing controversy over the role of the judges leading investigations of political corruption.

Politicians from the Northern League, which is expected to perform well in the polls, have accused magistrates of political bias, or "stop-watch justice", in deliberately timing recent arrests to

cause embarrassment to some parties. Mr Silvio Berlusconi, the media magnate-turned-politician who this month launched his Forza Italia political movement, took pains on Saturday not to attack the Milan magistrates who, on Friday, had ordered the arrest of his brother Paolo for alleged corruption.

Speaking at Ancona, however, on the first step of a national tour to popularise Forza Italia, Mr Berlusconi questioned the need for his brother's formal arrest in that the latter had already indicated his readiness to testify.

The message was amplified by commentators on Mr Berlusconi's three Fininvest television channels, who implied at the weekend that the arrest may have been politically motivated by left-wing magistrates seeking to embarrass Forza Italia and its leader.

The right of the judiciary to investigate corruption, in spite of increasing political sensitivity ahead of the election, was underlined by Mr Giovanni Conso, the justice minister. However, he also warned judges to be "scrupulous" and avoid the impression of political interference.

Support for the judiciary was echoed by Mr Giovanni Galloni, the deputy head of the magistrates' self-regulating council. He said: "It is up to every politician and party to see that candidates under investigation should await the conclusion of their cases before seeking re-election."

The issue of re-election has focused on Mr Ciriaco De Mita, a Christian Democratic former prime minister, who has been urged to stand again by constituents in his political power base in the Avellino district, near Naples.

In a separate development, indicating rising tension before the polls, Mr Bettino Craxi, a former Socialist leader, filed charges with Rome magistrates on Saturday against members of the Democratic Party of the Left, the former Communists, for alleged corruption.

Mr Craxi's accusations came as Mr Sergio Cusani, the Milan financier on trial for alleged handling of political bribes for the Ferruzzi-Montedison industrial group, repeated allegations that it had paid L1bn (\$400,000) to the former Communists to win support for special tax breaks for the company.

In his first television interview, Mr Cusani also said he would arrange today to hand over L20bn of the L35bn in alleged covert Ferruzzi funds he controlled. The money, alleged to have been allocated for bribes to politicians, is part of the L150bn which magistrates believe was put aside by Ferruzzi to pay political bribes during the dissolution of the Enimont chemicals joint venture.

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NEWS: INTERNATIONAL

Plaudits pile up at home for hardline Hosokawa

In the face of domestic recession, the sight of a Japan that can say No is a new and welcome one in Tokyo

By William Dawkins in Tokyo

The impasse between Japan and the US is unlikely to harm prime minister Morihiro Hosokawa's domestic political prospects. It might even improve them.

Mr Hosokawa's clear denial of US demands and his refusal to cover up this disagreement with an ambiguous communiqué marks a clear break with Japan's previous attitude to its most important relationship.

This reflects the consensus that Japan should stand up to the US, a view shared among his seven-party coalition and by the leadership of the opposition Liberal Democratic party. As Mr Hosokawa said in Washington: "Until now we refrained from speaking candidly and saying what was dif-

ficult to say. In the past, Japan settled for ambiguous agreements with the United States that later became a source of misunderstanding and generated pressure from overseas... Now the bilateral relationship has turned into a mature relationship, one among grown-ups, and I'm very gratified to achieve that," he said.

With Japan deep in recession and the US well into a recovery, Mr Hosokawa's supporters would have found complete surrender to US trade demands all the harder to understand. He won full support from Mr Hiroshi Kumagai, trade and industry minister and a member of the Japan Renewal party, the main influence on the coalition's economic policy. "Japan and the US have entered a stage to create a new

relationship where one side is no longer subordinate to the other," said Mr Kumagai.

Even the LDP congratulated Mr Hosokawa for not caving in to US demands for numerical targets for import market share. "To accept such targets would mean abandoning the free trade principle and would go against the drive for deregulation," said Mr Yoshi Kono, the LDP president. Mr Kono's support is less striking than its sounds, given Mr Hosokawa's increasing habit of seeking joint positions with former LDP colleagues on vital matters, as a buttress against the fragility of his own coalition.

As the reaction from Japan's business community over the weekend made clear, nobody had in any case expected a US-Japan trade deal.

The failure to reach agreement was "unavoidable", because Japan had "stuck to its policy of rejecting the US managed-trade-like approach", said Mr Gaiishi Hiraoka, chairman of the powerful Kaidoren business federation. The Japan Automobile Manufacturers' Association praised government negotiators for not accepting numerical targets.

Japanese business and politics are however, worried about the possible costs of Japan's new toughness, possible US trade sanctions and another rise in the yen.

Accordingly, Mr Masayoshi Takemura, the chief cabinet secretary and one of Mr Hosokawa's closest allies, called yesterday for further steps to "open up our market and increase domestic demand".



Hosokawa and Clinton during their talks: both won support at home for their strategy

without, of course, targets. President Clinton's veiled threat to use the yen-dollar exchange rate as a numerical

target has already sent a worrying tremor through Japanese business, in the shape of the Japanese currency's rise to a

three-month high against the dollar in New York on Friday. An anxious Mr Takeshi Nagano, president of the Nik-

keiren employers' federation, said at the weekend the trade talks must continue. US trade sanctions and talking up the yen "would merely increase mutual distrust", he warned.

The risk that Mr Clinton might succumb to pressure for trade sanctions against Japan might also help Mr Hosokawa persuade entrenched bureaucratic and industrial interests to drop their opposition to his drive to reduce the more than 10,000 government regulations that choke economic activity. As so many times in the past, US pressure still moves Japanese governments.

"Japan, which... for the first time said No to what it cannot do, must implement what it can do as quickly as it can," the Yomiuri Shimbun, Japan's biggest circulation daily newspaper, advised Mr Hosokawa yesterday. The prime minister must now "take the initiative in resisting those forces that resist reform", said the Yomiuri's editorial.

NEWS IN BRIEF

Breakthrough hopes for malaria vaccine

Scientists yesterday reported significant promise in the century-long struggle to develop a vaccine against malaria. Reuter reports from Washington.

Malaria kills up to 1m children each year in Africa, and there are up to 500m cases of the disease each year globally. Moreover, the disease is showing resistance to drugs traditionally used to treat it.

Scientists working for a special tropical disease programme jointly sponsored by the UN Development Programme, the World Bank and the World Health Organisation said a vaccine known as SPf66 has shown promising results in the first phases of human trials in a region of Africa with rampant malaria.

A final phase of human tests of the vaccine, under way in Tanzania, Gambia, Colombia and Thailand, will determine whether SPf66 actually reduces the number of malaria attacks. If those tests are successful, a vaccine could be available for widespread use by 1998.

Sixty die in clan battles in Somali port

About 60 people were killed and more than 5,000 driven out of Somalia's southern port city of Kismayo in battles between rival clans, Reuter reports from Nairobi.

The Somali Salvation Alliance, a group of 12 factions aligned to Ali Mahdi Mohamed, blamed the clashes on Mr Mahdi's rival, south Mogadishu warlord Mohamed Farah Aided. Gen Aided's spokesman denied the charges and said he had condemned the latest violence.

Gunsmen yesterday ambushed a UN convoy in Mogadishu and killed an Egyptian soldier. Other gunmen kidnapped two Italian aid workers in central Somalia.

Red Cross warns of Kabul aid 'disaster'

A senior Red Cross official yesterday said Kabul would face a disaster if food did not reach people who had been displaced by

factional fighting, Reuter reports from Kabul. Forces loyal to Afghanistan President Burhanuddin Rabbani and his opponents held their fire for the third consecutive day but it was not clear whether there would be a formal ceasefire during the fasting month of Ramadan, which began on Friday.

"If food cannot reach Kabul and the surrounding areas that will be a major disaster," Mr Peter Stocker, delegation head of the International Committee of the Red Cross, said.

California quake money unspent since 1989

Nearly \$3bn (\$2bn) in bonds and tax money raised since the 1989 earthquake to make California safer is still unspent, AP reports from San Francisco.

The San Francisco Examiner found that \$2.8bn of the \$5bn raised by the public in the aftermath of the 1989 quake remained unspent.

At the same time, some 1,000 projects to strengthen buildings, bridges and roads have been stalled by paperwork, engineering obstacles or political controversy, it reported.

US to renew threat of Indonesia sanctions

The US will this week tell Indonesia it will carry out a threat to impose sanctions, AP reports from Jakarta.

Washington warned last year that trade privileges might stop unless the rights of Indonesia's 76m workers were recognised. President Suharto's government told Washington of its progress last month, but the US Treasury secretary, Mr Lloyd Bentsen, said during a recent visit to Jakarta that more must be done.

Rafsanjani's brother loses top media job

Iran yesterday appointed a new head of radio and television in place of the brother of President Akbar Rafsanjani. Rafsanjani, in a move widely seen as a concession to conservative Muslim clerics, Reuter reports from Nicosia.

The Iranian news agency IRNA said supreme leader Ali Khamenei named Ali Larjani as the TV and radio chief to replace Mohammad Hashemi, the president's younger brother, who ran the broadcast organisation for 13 years. Mr Larjani is a relative hardliner who had been minister of Islamic culture and guidance.

Clinton wins support from economists

By Nancy Dunne in Washington

Prominent economists, academics and business leaders have lent their support to President Bill Clinton's strategy for opening the Japanese market. A letter backing Mr Clinton's approach swiftly gathered more than 110 names last week, symbolising the consensus - embracing even many traditional free traders - that the US can no longer live with the US-Japan trade imbalance or sign pacts that do not yield progress.

"There is a lot more resolve, unity and specificity," said a senior US official. "Look at those figures... \$60bn (trade deficit for 1993). Plus we've learned a lot... You spend all those years on... talks, and you don't have anything. That's why we're insisting on a specific results-oriented approach."

Past pacts have generated some gains, but they have often been limited. Seven years after it was signed, a 1978 deal produced liberalisation of Japan's government procurement computer market. Other talks led to greater Japanese imports of tobacco, fish, beef and citrus fruits. In 1985, Tokyo cut leather tariffs.

In 1986, a semiconductor agreement set 20 per cent as a minimum goal for the opening of Japan's semiconductor market; thus far, however, this tar-

Potential increase of US sales to Japan

Sector	Potential sales (\$bn)
Food	101
Steel	138
Paper	8,671
Textiles	132
Aerospace	2,100
Automobiles	20,520
Equipment/tools	3,939
Computing/software	18,979
Electronics	10,702
Telecommunications	514
Chemicals	9,820

Source: Economic Strategy Institute

get has been reached only once.

According to the Economic Strategy Institute, the impact of Japanese policies is felt well beyond the US. Its surplus depresses world GDP "by upwards of \$400bn (\$274bn)" and destroys foreign jobs at a time when unemployment is a severe problem. Japan's "minimal" imports of high value-added manufactured goods skew the composition of global economic activity and threaten

trade frictions everywhere.

While the US refused to agree to an empty arrangement for the sake of a successful summit, its own proposals were vague. US officials said they wanted - and Japan at the Tokyo summit agreed to - "qualitative or quantitative indicators" which would be used to measure progress in market opening. There are no market share targets, and there would be no enforcement mechanism in the agreement.

A senior trade official explained: "A qualitative indicator is not numerical. 'Qualitative' may and may not be numerical, although it is hard to have a quantitative that doesn't have a number somewhere buried in it by implication or direction."

Japanese officials said what they rejected was "numerical targets" and "managed trade". US business representatives, who advised the trade officials, said they also rejected man-

aged trade. Ms Debra Waggoner, director of international trade for the American Electronics Association, said the group sought indicators comparing import penetration in Japan with third country markets, where the US and Japan compete head to head. The AEA would measure growth of the exports, the size of the markets and the competitiveness of the products.

"You set up benchmarks to see if you are making progress," said Ms Waggoner. "You want to see if something is amiss and if it is, you want to take the necessary steps to get on track."

A spokesman for the US car industry said: "We are not asking for guaranteed sales. Just give us the ability to sell."

Whatever was meant, the US and Japan are on a collision course. Mr Clinton's desired "period of reflection" could end as early as tomorrow, when a review of Japan's cellular telephone market is due. Mr Mickey Kantor, the US trade representative, is said to have already requested a list of potential targets for sanctions.

Beyond that are numerous trade cases to be filed or resurrected and unsatisfactory agreements to be reviewed. Mr Kantor has stressed the importance of trade pact enforcement to the credibility of the administration; he will now have the opportunity to make good on his words.

UK move to open US telecoms market

By Andrew Adams in London

Opening the US telecommunications market to British operators will test US regulatory authorities in the coming weeks, and the outcome is likely to have significant implications for access to the US market by other overseas operators.

Cable & Wireless, the UK telecommunications group, is seeking a waiver from a restriction on foreign operators owning more than 25 per cent of a company holding a radio-based licence in the US.

The waiver application, to the Federal Communications Commission, the US telecoms regulator, is prompted by the

prospect of licences being granted nationwide for personal communications services (PCS), a new cellular mobile technology.

More than 400 licences will be granted for franchise areas across the US. The contest for licences will be fought fiercely among US telecoms operators: more than \$10bn (\$6.8bn) is expected to be raised by the government in fees.

The FCC has discretion to issue a waiver and will judge the C&W application on its merits. The terms of its ruling are that the UK has placed no bar on foreign ownership of licences for personal communications networks, the UK equivalent of PCS. One network

was launched last year, in which US West, US regional Bell company, has a 50 per cent stake, with C&W its partner.

A second PCS network is set to be launched in the UK in April by Hutchison Whampoa, the Hong Kong conglomerate.

Mr Keith Bernard, C&W's director of regulatory affairs in Washington, said: "We want the freedom to do what US companies are allowed to do in the UK, so that we can integrate PCS into our existing networks in the US."

The 25 per cent ceiling dates back to the first world war. It was imposed for security reasons, but is now generally viewed as a protectionist device.

The FCC is likely to be guided by

political considerations. Although some on Capitol Hill have a record of hostility to overseas operators entering the US, analysts believe the evidence of openness in the UK could lead to a change of policy with regard to the UK. The decision has wider ramifications. British Telecommunications is currently seeking a licence to operate in the US in its own right, as is AT&T in the UK.

US regulators also have soon to decide whether to allow UK operators to offer "international simple resale" services to the UK, which would allow companies to resell lines switched into the public network on both sides of the Atlantic.

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If the Bosnian Serb forces surrounding Sarajevo needed any back-stiffening as the Nato deadline to begin bombing them ticks away, their cousins in neighbouring Serbia appear to be happy to oblige. After all, no one is, yet, threatening to bomb Belgrade.

Thus Politika, the largest circulation Belgrade daily, which is close to the Socialist party of President Slobodan Milosevic, said in a column called The 14th Threat: "If we're counting correctly, this is the 14th threat to bomb the Serbs. It's hard to believe that any action will start, even if those responsible for taking such a decision can reach full agreement."

Someone in the hills around the Bosnian capital must have read this before deciding temporarily to stop Serbian guns being handed over to the UN peacekeepers at the weekend.

"Nato has imposed this rusty institution of an ultimatum, overlooking the UN and the clock has started ticking. What will happen after February 21?" asked the newspaper. "Even the Nato planners have no vision of what they'll do after the first decisive step."

Borba, the independent Belgrade daily, scuffled around for more neutral territory, though it was careful not to alienate its more chauvinistic Serb readers.

"It is naive to imagine that Nato's military machine cannot be stopped. At the same time,

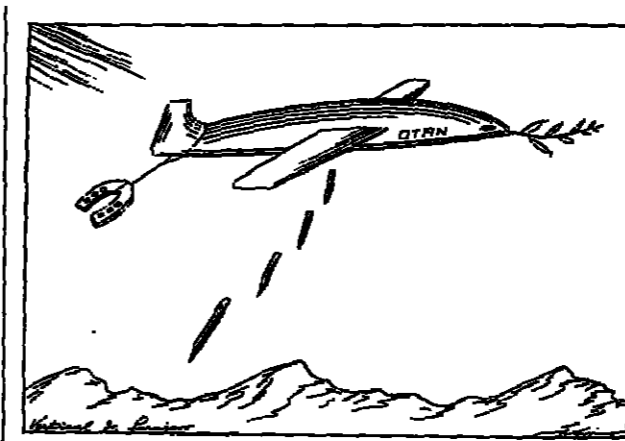
it is unwise to think that this is merely a verbal explosion," an editorial said. "If belligerent nationalists react noisily, the risk of air strikes being implemented increases."

"We must praise the readiness of the leaders of the Bosnian Serbs to make conciliatory arrangements quickly towards lifting the siege of Sarajevo."

Fortunately for Serb morale, the big French daily, Le Figaro, takes an age to get to Sarajevo. In Paris the Nato ultimatum has been greeted as ending months of mounting frustration for France's UN blue helmets at their powerlessness to stop the killing in Sarajevo, while reflecting satisfaction at the central French role in orchestrating the military and diplomatic moves.

La Figaro noted with evident pleasure that "for the first time for a long time, it is France that has led the game. With President Mitterrand and Prime Minister Balladur on the same wavelength, the foreign minister [Mr Alain Juppé] was able to convince some, intimidate others, make alliances and above all make a united stand with the US."

But a writer on Liberation probably better reflected the cautious mood in the rest of the continent. Just why was it that the west suddenly changed tack after the mortar attack on the Sarajevo market?



"Why did we react to the TV images of this attack more than to others? Because they were better filmed? Because the presenter of ABC News was - at least - in Sarajevo to present it live? Or was it for a more sordid and arithmetical reason? Because our stomachs could not swallow in one go 65 deaths and nearly 200 wounded, even if over the past two years they have had no trouble digesting nearly 10,000 victims in Sarajevo alone, but in smaller mouthfuls?"

Italian commentators have applauded Nato's resolve. But since Italy houses the principal base from which air strikes will be mounted, they also worry that possible Serb

reactions could include air raids and sabotage.

Mr Indro Montanelli, the doyen of Italian journalists, warned in Corriere della Sera the new policy contained two dangers. "One is that intervention occurs and leads to nothing, thus worsening the situation. Alternatively there is no intervention and this inaction plays into the hands of those who blame the west for being indifferent to the Bosnian tragedy."

Mr Montanelli came down firmly against military intervention since it would resolve none of the bitter ethnic problems that have torn apart ex-Yugoslavia.

For the German press, the events of the past week in

Bosnia, Brussels and beyond raise more questions than answers.

"Can Nato bomb its way back to peace?" the left-wing Der Spiegel magazine was asking yesterday.

"The west hopes to be able to political reason, without itself having any overall strategy for the new ethnic and political order in Bosnia."

"If this risky game doesn't have an effect after the first air attacks, then Europe will have to lift its arms embargo against the Muslims in order to enable at least a marginal improvement in the arms balance."

The other leading question was: who is most powerless in the entire sorry story, the western allies, the UN, Russia, or the German government? Unsurprisingly, Germany wins the prize from its own news media for the least effective role.

"Just as on the eve of the Gulf war, Bonn is simply hoping that nothing happens next week, and that the Serbs take the threats of the west seriously," said the conservative Die Welt on Saturday.

Much of which makes the truculent scepticism at Politika in Belgrade sound quite reasonable.

From Karin Hope in Belgrade, David Buchan in Paris, Robert Graham in Rome and Quentin Peel in Bonn

OECD meets in effort to fight bribery

By George Graham
in Washington

Senior officials from the 24 member countries of the Organisation for Economic Co-operation and Development are to meet in Paris today and tomorrow to seek common guidelines for clamping down on bribery and corruption.

The industrialised OECD countries agree on the importance of stopping bribery, as a way to improve governance in developing nations, but they remain far apart on how binding a set of rules to adopt.

An OECD working group on illicit payments has produced a report containing a list of possible anti-corruption measures. But the US and other countries are at odds over the extent to which the OECD's recommendations should be a fixed menu which members should adopt or a list from which they may select measures.

The US will make another effort at the meeting this week for the recommendation to be as binding as possible, requiring OECD members to make bribery of another country's officials a criminal offence, and for it to ensure that companies are not allowed to treat bribes paid abroad as tax-deductible.

US officials are also seeking to establish a review mechanism to monitor each country's implementation

of the recommendations.

The Foreign Corrupt Practices Act of 1977 makes the US the only country so far to have criminalised bribery of another country's officials. Mr Warren Christopher, US secretary of state, has complained that US companies are losing vast sums because their competitors can win contracts by bribery.

Other OECD countries, however, have legal and constitutional concerns about extending their criminal laws to offences in another country.

US officials point out that the UK, for example, had no such qualms in the 19th century about making it a crime for any British citizen to engage in the slave trade. In modern times, Germany has moved against its citizens' involvement in child pornography in Sri Lanka.

Some other countries, however, see a closer parallel in the controversial US efforts to extend the reach of its environmental laws, for example by its ban on the import of tuna caught in drift nets. The ban was condemned by a panel of the General Agreement on Tariffs and Trade.

If agreement can be reached this week, an OECD recommendation could be adopted this spring; if not, the argument may spill into the OECD ministerial meeting in June.

Riding to the future on a Hong Kong Harley

Simon Holberton meets a motor-cyclist from Harvard nicely placed in preparing a colonial transition

David Chu was warming to his subject. Looking down from the coffee shop of the sumptuous American Club, atop the 49th floor of Exchange Square in Central, he said: "See that red car parked there - it's just to the left of it."

He was identifying his custom-made Harley Davidson motor-cycle, for which he had paid nearly US\$30,000 (£20,000) last year. "I have three Harleys," said Mr Chu, who describes himself as a "small property developer". He was born in Shanghai, educated at Harvard and is a US citizen. He is also one of the most important people in Hong Kong.

With 29 other residents of the colony and 27 mainland officials, Mr Chu is a member of the Preliminary Working Committee (PWC), an elite group appointed last summer by Beijing to prepare for the Chinese takeover of Hong Kong in 1997.

"What the PWC is doing will have profound implications for the government of Hong Kong after 1997," said Mr Chu. "Anyone interested in Hong Kong's future should take a look at the PWC."

He has a point. The only formal structure China had designed to manage the last days of British rule is the Preparatory Committee, not due to come into existence until 1996.



DEMOCRATISER: Governor Chris Patten favours first-past-the-post elections

Picture: Anthony Johnson

its main purpose is to select Hong Kong's chief executive, the governor, and decide who will occupy the top jobs in the colony's civil service.

With the collapse in UK-Chinese co-operation over Hong Kong, Mr Chu says Beijing has been forced to bring forward preparation for the takeover. This was signalled by the formation of the PWC last summer. With the satisfaction of a man who knows he is in the right place at the right time, Mr Chu said: "We are providing the 'advice' for the Preparatory Committee."

The committee's sub-groups now meet virtually every month in Beijing, while the Hong Kong cohort meets at least as often in the colony. It has divided itself into five sub-groups: political structure, economics, security and social welfare, culture, and law.

When Mr Li Peng, China's prime minister, meets Hong Kong advisers at the beginning of next month, another cohort of PWC members might be announced. Its membership is expected to grow, partly to counter the accusation that the current Hong Kong group is

made up of plutocrats carrying favour with the colony's future landlord, and partly to share the increasing workload.

The strategy of the UK's governor, Mr Chris Patten, over the committee has been to question its legitimacy as a body representative of Hong Kong opinion, and to deny its members access to the government and official information.

Mr Chu admitted that, without the co-operation of the Hong Kong government, the work of the PWC will be more difficult. He likened the enterprise to flying a Boeing 747

without a pilot: "We've got to borrow old manuals and interview retired pilots. But I am fully confident that the 747 will take off without problems."

By contrast, while the colony's Legislative Council wrings its collective hands over how to deal with Mr Patten's democracy legislation, the PWC works on its alternative for Hong Kong post-Patten. This includes "advice" on Hong Kong citizens' travel documents, on the books their children will read in school and on how they will elect representatives to LegCo.

LegCo will vote on the first stage of Mr Patten's democracy proposals this month, probably February 23, and is expected to pass them unamended. Mr Patten will then job his second bill into the unsure hands of the colony's legislators the following month.

Meanwhile, the PWC proceeds towards its July deadline for producing an outline of Hong Kong's post-colonial political structure. On this issue, it is fairly clear where the committee is heading.

It favours "proportional" representation for the 30 LegCo seats meant to be popularly elected, and small groups of voters for the 30 "functional" constituencies which are to represent business and professional interests.

Mr Patten, though, advocates first-past-the-post elections for the popular poll, and large groups of voters for the functional constituencies.

Mr Chu says proportional representation is the "fairest" way to elect politicians as it would give the "fullest participation in the colony's politics to individuals and parties". Mr Patten demurs. Before he left for Australia last week, he said proportional voting was meant to dilute the strength of pro-democracy groups in LegCo.

Mr Chu says the aim of the committee is to stay close to the LegCo system which existed before Mr Patten arrived in mid-1992. Pro-democracy advocates such as Mr Martin Lee and Miss Emily Lau fail to understand that, in opposing China, they will achieve nothing, Mr Chu says. "I believe that, by acting with finesse, we will get a better deal than by opposing Beijing."

He is dismissive of suggestions that the PWC is an exercise in "united front" tactics by the Chinese Communist party, in spite of the deputy director of the united front department of the party being a mainland member of the PWC. "Whether China is using united front tactics on me I don't care. I'm concentrating on influencing China so that it does good things for Hong Kong."

Stagnation seen for Venezuela

By Joseph Mann in Caracas

The Venezuelan government does not expect the economy to grow this year, but is laying the groundwork for annual GDP growth of 4 to 5 per cent from 1995, according to Mr Enzo del Búfalo, economic planning minister.

The government of President Rafael Caldera, which began a five-year term on February 2, inherited a recession, high inflation and a large fiscal deficit. The government views 1994 as "a year of stabilisation", during which it will curb government spending, introduce tax reforms, revive a privatisation programme and streamline bureaucracy.

Mr Caldera has proposed a series of "strategic" economic measures, including "a battle against inflation", austerity in government spending, opening the economy and greater competitiveness, efforts to control waste and corruption, and a tax reform package. But the government has been short on specifics, saying only that it

will raise the minimum monthly wage from the current level equivalent to \$81 (\$255) and drop an unpopular value-added tax.

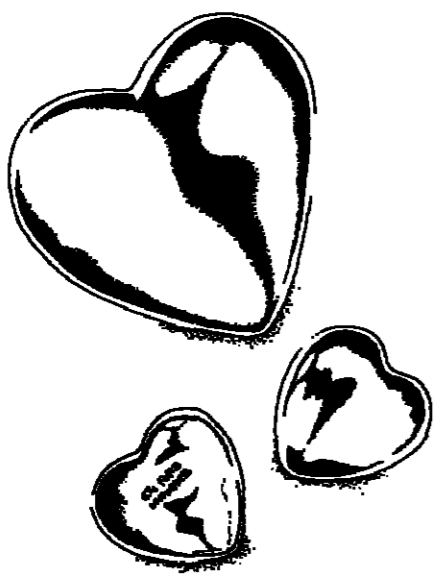
The government also plans to restart the country's privatisation programme, stalled since two failed military coups in 1992 plunged Venezuela into political instability. The first step in reviving the programme is the sale of a state-owned airline, Aeropostal, due in late March.

Venezuela's GDP last year showed a 1 per cent decline after three years of strong growth. Inflation in 1993 reached 46 per cent and was 4.3 per cent last month.

● The leftist party, Radical Cause, has reiterated its call for the dissolution of Venezuela's new Congress and the installation of a constituent assembly. Congressman Pablo Medina of the party called the Congress "illegitimate" and "fraudulent", claiming there was widespread cheating in counting Congressional votes after elections in December.

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NEWS: UK

Dirty tricks campaign claimed by lottery company

By Motoko Rich

GTEch, the world's biggest lottery company, claimed over the weekend that it is the victim of a dirty tricks campaign designed to harm its chances of winning a role in the UK's National Lottery.

Bids for the licence to operate the lottery close today. GTEch, which has 22.5 per cent of the Camelot bidding consor-

tium, said that it had evidence of a dirty tricks campaign which has been running for two years in the US and it is concerned that it is now facing a similar campaign in the UK.

Mr Craig Watson, a GTEch vice-president, said that anonymously sent packages of potentially damaging material about it had been received by newspapers in the UK and US.

Material in the packages alleges that GTEch uses questionable techniques to influence lottery officials who award contracts in the US and the politicians who shape US lottery legislation. GTEch vigorously contests the allegations and said none had ever been proved.

Its main US competitor, Automated Wagering International, is openly critical of

GTEch's shrewd lobbying tactics.

However, AWI denied it was operating a smear campaign. Mr Dan Bower, AWI's chairman, said: "I am not aware of any smear campaign that is being run anywhere."

AWI, whose parent company Video Lottery Technologies was recently refused a lottery licence in Quebec, Canada, following allegations that its for-

mer chairman did business with convicted criminals, is not part of any of the bidding consortia.

However, it has agreements to supply computer hardware to three of the bidding consortia - Rank Organisation, The Great British Lottery Company and Games for Good Causes.

GTEch's preparation for the UK lottery bid included making two submissions to the

government between 1989 and 1991 on how any UK lottery should be operated. One of its non-executive directors is the former cabinet minister Mr John Moore, now Lord Moore, although GTEch said he was not involved in lobbying.

In the US, it employs lobbyists and political advisers from 24 consulting firms.

There are eight declared bidders for the UK licence.

Britain in brief



Lloyd's offer to Names 'likely to fail'

Lloyd's of London is resigned to almost certain failure today in its efforts to reach an out-of-court settlement to legal action involving more than 17,000 Names, the individuals whose assets have traditionally supported the insurance market.

This afternoon is the deadline for loss-making Names to accept a £900m offer.

Mr Peter Middleton, Lloyd's chief executive, acknowledged yesterday: "Unless something very dramatic happens on Monday we'll be short of the value take-up which will enable us to go unconditional with the offer."

Lloyd's has said that at least 70 per cent of the value of the offer will have to be taken up by Names if the deal is to be implemented. It is also unlikely that Lloyd's will decide to extend the deadline to give Names more time to accept the deal, despite an increase in the number of acceptances in the past few days, Mr Middleton said.

If the offer fails, legal actions are likely to begin, starting with one by 3,000 Gooda Walker Names that is scheduled to come to court in April.

Mr Middleton is hopeful that negotiations about a possible out-of-court settlement will eventually be resumed, although he emphasised that this was unlikely to happen before September or October.

A survey by King Sturge, chartered surveyors, shows that the amount of available industrial space fell by 1 per cent to 180.5m sq ft in the last

four months of 1993. It records a 60 per cent rise in inquiries from potential tenants and buyers in 1993 compared with 1992.

The amount of available space has fluctuated sharply over the past 10 years. The economic upturn in the 1980s reduced supply from its 1983 peak of 177.61m sq ft to a low of 73.17m sq ft in May 1989. It then rose rapidly to peak at 182.17m sq ft last September.

Companies report better outlook

Business confidence among medium-sized private companies is rising steadily, according to a survey conducted by 3i, the venture capital group.

The 3i Enterprise Barometer, which is based on 1,000 companies in the 3i portfolio, has risen over each of the last four quarters to stand at its highest level since the survey started in January 1988.

The balance of respondents believing that the business and political climate is more favourable to starting a business than it was a year ago has increased to 52 percentage points. This was a sharp rise on the 35 points recorded four months ago and is the highest balance since the survey started.

The increased confidence is shared by companies operating throughout the country, although those in the south are more positive.

Drug fines may be increased

Mr Michael Howard, home secretary, will decide this week whether to impose the first increase for 17 years in penalties for possession of a broad range of illegal drugs.

Mr Howard is considering Home Office proposals to raise the maximum fine for possession of class B drugs from £500 to £2,500. The main drugs affected would be cannabis, barbiturates and amphetamines. There are no plans to increase penalties for possession of class A drugs such as heroin and cocaine.

Scotch exports

Sales of Scotch malt whisky to the US rose by 22 per cent last year, Customs and Excise officials say.

N Ireland peace hopes are dashed

By Michael Cassell in Belfast

Mr Gerry Adams, the president of Sinn Féin, yesterday accused Britain of "squandering a unique opportunity for peace", adding to growing British government pessimism that the IRA and Sinn Féin will not accept the Downing Street declaration.

In remarks which dashed expectations of an early decision by the republican movement on accepting the declaration as a basis for peace in Northern Ireland, Mr Adams demanded changes in the government's position.

He said that although Dublin had provided some clarification of the declaration, London had "stalled, delayed and refused" to further explain a document which he described as "a masterpiece of ambiguity".

He claimed it would be impossible for Sinn Féin to provide a definitive response without more information.

Both London and Dublin have repeatedly insisted that the IRA must end violence before Sinn Féin can join talks on the future of Northern Ireland.

When they meet next week-end, Mr John Major, the Brit-

ish prime minister, and Mr Albert Reynolds, the Irish premier, will be expected to declare their determination to push on with the broad talks process.

Giving no sign of any softening in Sinn Féin's stance, Mr Adams rejected what he described as the unionist veto on constitutional changes in Northern Ireland and insisted London would have to join the "persuaders" in seeking to convince unionists that their future lay "with the rest of the Irish people".

Interviewed on ITV's Walden programme, in which Mr Adams' statements were read by an actor, he called on ministers to go the extra mile for peace: "Unless the British government says to the unionists your future rests with the rest of the Irish people, unless it makes that small step forward, then that government cannot say it is interested in peace."

He said republicans recognised that they needed to have the consent and full participation of unionists in the process but that they did not want the British government "sitting on its hands and blaming and using the unionists as an excuse for inertia".



The coffin of former Irish National Liberation Army chief Dominic McGlinchey, shot on Thursday, is carried by his brother Sean McGlinchey (centre) and Sinn Féin official Martin McGuinness (right).

Mr Adams added: "Let us not squander the opportunity for peace on the rock of either a veto or on the British refusing to join the persuaders."

Mr Adams said that if the

British government believed the joint declaration was a basis for a political settlement, then it should be prepared for further discussion.

He said that for the govern-

ment to talk to Sinn Féin for almost three years when it claimed there were no grounds for a settlement but to refuse to do so now was "absolutely bizarre and bad faith".

Tories resist widening of Malaysian dam probe

By Kevin Brown, Political Correspondent

Senior members of the House of Commons foreign affairs committee are resisting attempts to widen inquiries into links between arms sales and British aid for a Malaysian dam project.

The committee is investigating allegations that aid for the Pergau dam was

illegally tied to Malaysian purchases of British arms.

Conservative members of the committee agreed to an inquiry after it emerged that aid was linked to defence sales during initial discussions of the dam project in Malaysia. However, some Conservatives are unhappy about Labour attempts to extend the inquiry to include similar allegations relating

to projects in Indonesia, Thailand and elsewhere.

"I am sure that the opposition would like to extract political mileage from it, but I don't think that is going to be the wish of the committee," said a Conservative member of the committee.

The committee has agreed to accept evidence at its next meeting on Wednesday from the World Development Move-

ment, a third world pressure group which claims to have identified a relationship between the aid programme and arms sales. The movement has made repeated allegations about the sale of Hawk training aircraft to Indonesia, which are alleged to have been used to attack civilians in East Timor, a former Portuguese colony controlled from Jakarta.

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Company to act over modem imports

By Alan Cane

A UK-based electronics manufacturer is taking radical action to persuade the government to speed legislation to outlaw foreign made, non-approved computer communication equipment.

Dataflex Design, a leading UK modem manufacturer, said yesterday that it would begin importing and selling "grey", or non-approved, modems on March 1 unless the government took immediate action.

Modems are devices which convert computer messages into a form in which they can be transmitted down a telephone line. It is not illegal to sell grey modems, but attaching non-approved equipment to the telephone network is a breach of the Telecommunications Act.

Sales of non-approved modems from the US and Asia, which cost much less than products put through exhaustive UK testing procedures, have risen sharply recently leading UK manufacturers last year to form a defensive lobby, the Modem Approvals Group.

The government responded by agreeing that over a number of years, legislation would be introduced outlawing non-approved modems.

Skills shortage threatens Welsh inward investment

By Roland Adurburgh, Wales and West Correspondent

The success of Wales in winning inward investment is being threatened not only by greater competition but by its lack of labour skills.

This is the finding of a report by the Centre for Advanced Studies at the University of Wales, Cardiff, which describes the vocational education and training system in Wales, as "woefully inadequate".

It says the skills deficit is most acute in the craft and technician category. "While the UK has been adept at producing an educational elite, it has manifestly failed to equip generations of young people with the vocational skills which are necessary to sustain a modern manufacturing sector."

Wales, with under 5 per cent of the UK's population, attracted more than 14 per cent of UK inward investment between 1978 and 1991, which helped its manufacturing sector to grow while in the UK as a whole it declined. But the report warns that inward investment is likely to decline sharply during the 1990s.

"Strengthened competition from other regions within Europe, as well as from low-cost locations in eastern Europe and Latin America,

coupled with the loss of assisted area status, will make Wales relatively less attractive."

A further handicap is the quality of labour and suppliers. Alfred Teves, a German automotive components company at Ebbw Vale, is quoted as describing the calibre of electricians and engineers as "absolutely poor".

Robert Bosch, the German components and power tools group at Miskin, near Cardiff, regards its workforce as highly motivated and finds labour costs much lower than in Germany. But managers claim the labour market in Wales, as in Britain, is like a sandwich.

At a higher level, they say, the calibre of personnel is on a par with anywhere in the world, as is the case with semi-skilled or unskilled workers who they consider very adaptable. But they find grave problems at the middle level of manufacturing supervisors.

The report says Sony, the Japanese consumer electronics group at Bridgend, Mid Glamorgan, has been unable to use its apprentice targets in recent years because of the deteriorating quality of applicants.

Sony attributes this to an anti-engineering bias in schools and the wider environment, and because pupils are being encouraged to stay on at

school even when unsuited to an academic route.

Sony and Bosch have formed training partnerships with further education colleges and, the study says, other initiatives have been launched to improve vocational skills provision, particularly in engineering. But quality levels among suppliers also need to improve.

"With exceptions, there are simply insufficient firms capable of meeting the exacting requirements of a Bosch, Valeo or Sony," it states. Alfred Teves found Spanish suppliers to be much more enterprising than UK suppliers. French-owned Valeo Wiper Systems at Hengoed, Mid Glamorgan, largely failed to find acceptable suppliers within Wales.

Welsh authorities, the study comments, had done little to redress the vocational skill deficit when content to live with the status of a branch-plant economy. "Goaded into action by the demands of the more sophisticated foreign firms in Wales, and anxious to secure more high value inward investment, they have now set a high premium on vocational skills provision."

The Welsh Renaissance: Inward Investment and Industrial Innovation, Centre for Advanced Studies, University of Wales, College of Cardiff, 33 Corbett Road, Cardiff CF1 3EB. £30.

Report of the Commission on Management Research

The ESRC established the Commission on Management Research in late 1992 to review the quality and relevance of research into management and business issues. The Commission, chaired by Professor George Bain, has now produced its report. This sets out how academic quality might be sustained and improved, and how relevance might be strengthened.

Copies of the Report are available from the address below. The ESRC would welcome comments on the Report, which should be sent by 25 March 1994.

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FT Surveys

Lucy Kellaway on how companies are approaching the thorny issue of revamping their executive share options

A fairer slice of the pie

British Aerospace has undeniably done well for its shareholders in the last two years. But whether John Cahill, the chairman, really deserves a £3.2m profit on his executive share options for his role in the recovery is another matter.

Institutional investors have long felt that something is rotten in the way most option schemes are designed, and are preparing for a battle over the need to link them more closely to performance. The very size of the Cahill profit is further grist to the mill for those who believe executive share options have more to do with roulette than rationality.

This year shareholders are faced with a chance to address the problem. Most of the existing 10-year schemes were introduced in 1984 to take advantage of tax breaks, and now have to be renewed.

The occasion is the cause of great controversy. Options matter to shareholders for two reasons. The

first is that they are the only part of a manager's overall pay on which investors have the chance to vote; they therefore become the focus for all concerns on the excesses of executive remuneration. Second, they can be worth a lot of money. Sometimes - as in Cahill's case - they are the largest part of the total, but even in less headline-grabbing cases they can still be significant.

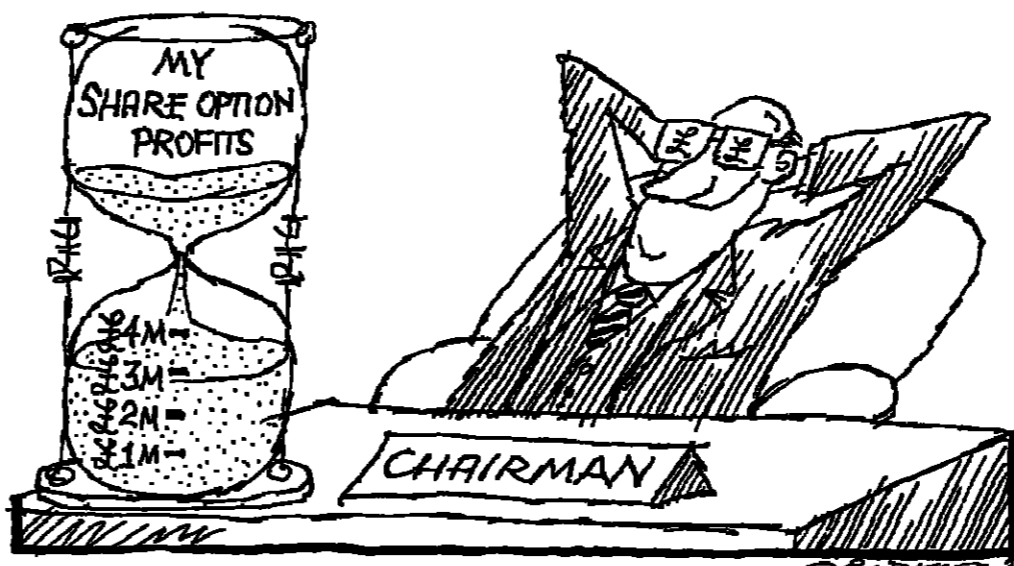
A survey published today by Incomes Data Services, the pay analysts, shows the average value of 154 options cashed in recently was nearly £55,000, with the range stretching from £2,000 to £1m.

Nearly all shareholders agree that existing schemes are flawed. Typically, a handful of senior executives are entitled to buy shares (worth up to four times their salary) at today's price in three years' time. If the share price rises, they stand to gain performance measure at all. Paddy Linaker, managing director of M & G, justifies the move by arguing that it is hard to find an appropriate benchmark; earnings per share can be distorted by accounting changes, and share prices can be skewed by a number of factors including takeovers. Worse, he fears, a benchmark could make the behaviour of managers short term, could fail to reward companies that have done well in difficult circumstances, or could encourage managers to be reckless in the hope of meeting targets.

Some companies agree with him but cannot follow suit, as unlike M & G they do not have loyal controlling shareholders to vote such a scheme through. "Most companies seem prepared to comply with the guidelines, but without any enthusiasm," says Mark Anderson of New Bridge Street Consultants.

main investor bodies, the Association of British Insurers and the National Association of Pension Funds, agree that schemes should be tied to a performance yardstick, but have spent months debating which measure was best. The ABI pushed for earnings per share while the NAPF argued for share price performance relative to the stock market. The compromise reached last summer is that each company should choose the measure that suits it best. Any company which fails to comply runs the risk of having its scheme voted down by shareholders.

Even this solution is not accepted by everyone. M & G, the unit trust group (ironically itself a big institutional investor in other companies), has ruffled feathers recently with its own new scheme which does not include any performance measure at all. Paddy Linaker, managing director of M & G, justifies the move by arguing that it is hard to find an appropriate benchmark; earnings per share can be distorted by accounting changes, and share prices can be skewed by a number of factors including takeovers. Worse, he fears, a benchmark could make the behaviour of managers short term, could fail to reward companies that have done well in difficult circumstances, or could encourage managers to be reckless in the hope of meeting targets.



Richard Regan of the ABI denies that companies are reluctant. "Most managements have said Amen to this, because they want their executives to perform." According to Nicki Denby of Arthur Andersen, the range in schemes being introduced is enormous. Grand Metropolitan was one of the first to bring in a relative share price yardstick, with options that can only be exercised if the shares outperform the FT-SE 100. BP, meanwhile, has decided to measure itself against the rest of the oil sector. Trafalgar House is leaving it vague, saying that the relevant board committee will decide on the best performance measure closer to the time. The Daily Mail's options scheme is dependent on its earnings growth exceeding inflation.

The most radical plan announced so far is from Reuters, which has decided to scrap its options scheme altogether and replace it with a restricted share scheme. This entitles directors to receive regular instalments of shares so long as the company is performing. The better the company does, the more shares the directors will get. Reuters has chosen to measure its performance against total shareholder returns (share price plus dividend) of the top 100 companies. "I am trying to make Reuters look at itself in the same way as investors do," says Sir Christopher Hogg, chairman of Reuters. So far the company's plan has been greeted with guarded interest both by other

companies and shareholders. There are few precedents for it in the UK and, while in the US restricted shares are commonplace, not many have this sort of performance measure attached to them.

Even Sir Christopher is a little uncertain as to how it will work. "It's a bit of a mess," he says. He points out that if directors find themselves getting too many or too few shares, the remuneration committee will simply change the rules.

The Reuters scheme is one of the few likely to meet with the grudging approval of one shareholder group, the Pensions and Investment Research Consultants. Last week PIRC wrote to its pension fund clients advising them to vote against all new options schemes unless they were radically altered.

Anne Simpson, a PIRC director, argues that share options are a poor motivator as executives can only gain but not lose money, and that they do not encourage share ownership as executives tend to cash in their gains at once.

Moreover, she complains that executive options are inequitable as they are only open to a minute proportion of the workforce - while the real credit for success should be spread more widely.

PIRC's recommendation that all schemes be voted down unless they are open to all employees is unrealistic. Indeed it would mean that only a tiny handful of companies would be given the go-ahead. However, says Simpson, the aim of the recommendation is not to overturn all schemes now but to keep up the pressure on boards to bear such things in mind as integrity and equity when it comes to setting pay.

Hard news behind the headlines

ITN has revolutionised its staffing policies without industrial action, writes Richard Donkin

In just seven years the resonant tones of Big Ben that start News at Ten have tolled for half the jobs at ITN, the independent television network's flagship news organisation. Behind the headlines there has been a quiet and sometimes painful revolution in the way that its news gathers work.

The role of Mike Morris, its departing director of personnel and industrial relations, has been central to the achievement of often radical changes without industrial action. When he took over the job in October 1987, ITN had 1,200 specialist staff, many earning City dealing room salaries. While the pressures of change were building up, ITN was protected by statute from competition and seemed to enjoy a secure position within the ITV network.

Now, as Morris starts a new career as director of personnel at the Royal Opera, he leaves a network broadcasting more - but not necessarily better - news coverage from fewer than 600 staff

with a broad range of skills.

Demarcation lines are fading as journalists learn technical skills and technicians learn journalism. Neutral job titles such as "news assistants" and "journal-techs" have been introduced to promote multi-skilling, and the numbers and influence of technicians and engineers have dwindled. Traditional pay bargaining has barely survived - last month a number of staff agreed to a pay cut in a ground-breaking deal which saved further redundancies.

The company's pay and staff-cutting policies have reduced ITN's annual pay bill from £42m in 1981 to £28m today. "That doesn't happen by accident. The potential for getting it wrong in a highly unionised atmosphere with a

perishable product is pretty high," says Morris.

Achieving the transformation without the confrontation that accompanied innovation in the newspaper industry relied on a combination of shrewd management, good fortune, technological change and new labour laws.

Morris looked first at new ways of making programmes in the US and East Asia before confronting technicians with multi-skilling, a term then unknown in the industry. The trade unions called it "cross-jobbing". "It was not on the agenda as far as they were concerned," says Morris.

Today, technological innovations, such as lighter, automated cameras mean that the normal crew can

be just two - one with editorial background and one with technical. Journalists know how to operate cameras and technicians learn editing and writing skills.

Management plans in 1988 to change terms and conditions coincided with a TV-am dispute when technicians walked out on a one-day strike and were never allowed back. It was a sobering lesson for the unions at ITN. National agreements had already been abandoned by the ITV network. "We started with a blank sheet of paper and tried by careful preparation to draw the trade unions into a dialogue with us. By the end of the negotiations they felt as much owners of the plan as we were," said Morris.

The "total pay plan" negotiated that year abolished overtime, perks and old working practices and introduced annualised hours into employment contracts. Negotiators had no scope to buy off the old terms, but they did have the advantage of dealing with people who could not get the same terms and conditions anywhere else.

Until his appointment, Morris says, ITN management had believed programmes could not be broadcast without union co-operation. There was also concern that a confrontation could escalate across the network. During the negotiations ITN made no secret of contingency plans to maintain the service in the event of a strike, which it also made clear would lead to a TV-am-style lockout.

The proposals were only narrowly

sold to the three main unions. "What they were voting for was a reduction in terms and conditions. There was no disguising this. They recognised we were very determined," said Morris.

The total pay plan has not gone completely smoothly. The problem of staff finishing their work allocations well before the year end has sometimes needed imaginative reward ideas.

The impetus of change was maintained by the Broadcasting Act of 1990 which introduced greater competition to the industry. Under a new form of ownership, ITN changed from a cost centre to a profit centre exposed to the threat of competition.

As the pressure on costs continued, an across the board pay

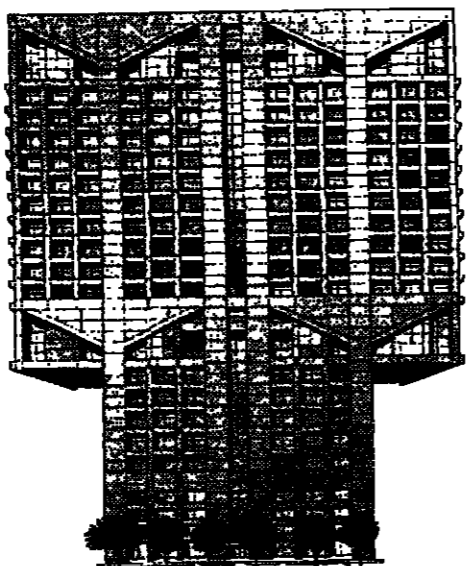


Mike Morris: made radical changes

freeze was imposed in 1991. This year there has been scope for some discretionary pay rises.

While overheads have been pared to the bone, the business is beginning to grow, with additional services such as provision of news coverage for Channel 4's Big Breakfast and the negotiation of a contract with NBC Superchannel.

A concrete example of how LTCB turns conventional ideas upside down



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A duty to the public good – and a strong balance sheet

The word "hostile" makes Sir David Lees (right) the executive chairman of GKN does not like to hear his bid for Westland talked about like that.

Images of battle might seem fitting for the unfriendly takeover of a defence company, especially as the last time Westland changed hands two cabinet ministers and their jobs parted company and the government nearly fell in the process.

But Sir David presents his attempt to buy the infamous helicopter company rather differently. Watching him as he sips tea out of a fine china cup in his elegant office very near the Queen Mother's London residence, it is clear that aggression and unpleasantness are just not his style.

GKN, as he tells the story, has been a loyal and supportive shareholder in Westland for five years. Last week it bought the shares of another long-standing shareholder, and as required by stock exchange rules, it dashed out a bid for the rest of the company. The fit is good, the intentions honourable; there is nothing hostile about it, he says.

Yet the fact remains that Westland is fighting hard for a higher offer, and is protesting loudly that GKN does not love it for itself alone, but for its tax advantages.

Sir David deals calmly with the allegation of opportunism. His account stretches back through a decade or more, charting GKN's steady, cautious expansion into defence. He talks about tax and about greater stability of earnings, but also underlines some similarities between helicopters and GKN's armoured vehicles.

But, a reasonable man, he is careful not to push the point too far. "I can't pretend that a Warrior can fly or that helicopters can race along the ground."

Some might say that his bid is opportunistic, but none could say it was hasty. Sir David is an accountant by training and does not like to rush into things. In the years he has held the Westland stake, he has done a lot of pensive sitting, and quiet listening. "He takes a long time to make up his



THE MONDAY People page

GKN's Sir David Lees tells Lucy Kellaway that his intentions for Westland are honourable

mind. But once he makes a decision he's very determined," says a close colleague.

These careful characteristics have stood Sir David, now 57, in good stead so far. In his six years as chairman, and five before that as finance director, he has built up a financially strong company involved in three sectors: motors, industrial services and defence.

He has been a master at cutting costs, and at getting rid of all those loss-making businesses that in the old days made Guest, Keen & Nettlefolds great. In all, it has been a defensive operation, turnover has not grown in real terms, but the quality of the businesses is far better, and the balance sheet stronger.

"I've taken the group through a difficult time, cleaned it up. We've maintained the dividend for shareholders, and the balance sheet is as strong as it's ever been.

I'm proud of that," he says.

Sir David has a tidy mind, and wants to stick to the discussion in hand. For instance, last summer he was in a car crash in which he broke six ribs and punctured a lung, but he will not be side-tracked into discussing that, and persists in telling me how well GKN is doing in Japan.

This vision of a civil, cautious man, who is good with numbers, does not capture the whole of him. "Really quite jolly," is how one colleague describes him. He is also a good family man, the sort of bloke who is quite happy kicking a ball about on the lawn of his Shropshire home after Sunday lunch.

More than that, he is public spirited. If you read the list of the external positions he has held (which run to two pages on his cv) and hear the high-minded talk about it, you might think him a bit of a prig.

Yet he avoids that label. He is both modest and direct, looks you in the eye, and answers the question. He does the extra work, he says, both because he loves it, and because he feels it is his duty. "If members of big institutions are not prepared to take the lead, you get a feeble institution and have only yourself to blame. People at the top of companies have a duty. *Pro bono publico*."

His experience at the CBI, where he is chairman of the Economic Affairs Committee and at the Bank of England of which he is a director, has given more insight than most businessmen possess into public life. He is said to be outstandingly good at dealing with ministers and officials: civil but firm.

It does not seem to have gone to his head. "The Bank of England invitation came as a very great surprise. When I

was asked to go to see the Governor, I thought there must be some problem somewhere."

His style is distinctly unflashy. He is a member of the sensible school of management – it is no great surprise that he cites Sir Christopher Hogg, with whom he sits on the board at Courtlands, as a kindred spirit and as someone he admires.

He is no autocrat, and has secured some plain speaking heavies, such as Howard Davies at the CBI, as non-executive directors on the GKN board. He believes in the free market but is repulsed by excess. "I was immensely impressed at how Margaret Thatcher freed up management at the beginning of the 1980s, but possibly society has moved a bit far to the right in terms of materialism."

When invited to criticise his peers for their outrageous pay packets his words are carefully measured. "I accept that market rates have to be paid to get good people. But on the other side of the equation, that must not lead to an excuse for greed."

Sir David says he runs his car for 120,000 miles before he trades it in, and last year waived his bonus because he did not think the group had done well enough for him to merit it. Moreover, no GKN executives travel first class on aircraft. "We do not do this to be hair-shirt, but we do what is necessary. I know it sounds pious, but we lead from the top and set an example."

As he sits there, urbane and relaxed, discussing the rights and wrongs of corporate excess, you would never guess that for the last week he has been burning the midnight oil in a high-profile takeover battle – sorry, process – of which he has little experience.

Evidently, he is feeling on top of his job. "If you enjoy it enough, there are bad days. It's like golf. You can play a couple of bad shots, but when you play well, you feel the best in the world."

If he wins Westland, will he feel the best in the world? Once again he is cautious. "There is strategic rationale there. I look forward to a happy and not acrimonious outcome."

Personae Leng: a rare species for Gatt

Jean-Pierre Leng, who has just been appointed head of the EU's Gatt delegation in Geneva, is a rare species of Eurocrat, writes Lionel Barber and Frances Williams.

Unlike many of his junior colleagues who spend their time clambering up the greasy pole in Brussels, Leng has risen to the top of the Commission's diplomatic service via foreign postings.

He has spent the past three and a half years in Tokyo as head of delegation, but he also worked for five years in the mid-1970s in the Commission's bureau in Washington. While he has been with the Community since 1969, his only lengthy stint in Brussels was between 1984 and 1990, when he was involved with textile and steel negotiations, before becoming the director

in charge of relations with the US, Canada, Australia and New Zealand.

In the Uruguay Round of global trade talks, which ended last December, the European Commission's negotiating mandate on behalf of the 12 member states was vastly enlarged to encompass trade in services and intellectual property as well as trade in goods, its traditional staple.

In addition to handling trade negotiations on behalf of EU members, Leng's immediate agenda also includes China's bid to rejoin the Gatt and future Gatt work on trade and the environment.

He will also just see in the new, more powerful World Trade Organisation which will replace Gatt and which is expected to come into being sometime between January

and July of next year. However, he reaches 65 in September 1994 and hence will have been in harness for much less time than his predecessor, Tran Van Thinh.

A diminutive Vietnamese-born Frenchman, Tran, who was 65 this month, had had an unusually long 15-year stint. The antithesis of a grey-faced Eurocrat, he was ebullient and unpredictable, with a strong line in extravagant metaphors.

Highly respected as a skilled negotiator and deal-maker, his farewell speech to Gatt's annual meeting last month combined, in typical fashion, a humorous "ten commandments of Gatt" with a deadly serious proposal for an import levy to finance environment projects in developing countries.

Stenhammar ruffles more feathers

Olof Stenhammar, founder of the options exchange OM and one of Sweden's foremost entrepreneurs, seems to enjoy ruffling feathers at his old adversary, the Stockholm Stock Exchange, writes Christopher Brown-Humes.

SSE executives were less than thrilled when Stenhammar launched his company in the mid-1980s; as they saw it, he was trading very much on their own patch. They are unlikely to be any more enthusiastic about his latest move. OM has bought 13.4 per cent of the exchange – one of the few to have been privatised – and is now its biggest single shareholder.

Stenhammar plays down talk of an eventual takeover, saying merely that the move is a "very good investment". But whether it will result in greater collaboration between the two has yet to be seen.

Stenhammar, 53, showed entrepreneurial tendencies early on, selling plastic swimming pools to fund his university studies. When he moved into the options world – an idea he got while working as a broker in the US – OM was the first privately-owned profit-orientated exchange in the world. In addition to its Swedish activities, the group is very active internationally,

including ownership of the OMLX exchange in London.

There is, however, one cloud on the horizon. Stenhammar and two colleagues are currently being investigated by the state prosecutor over allegations of insider trading. They bought a block of shares in OM just three weeks before it announced interim figures last year, shares which promptly rose in value on the day the figures were published.

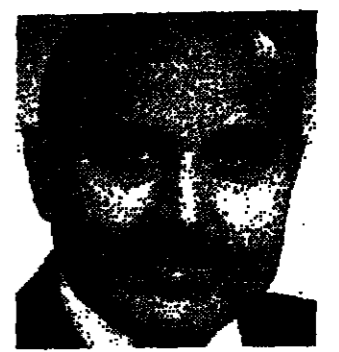
Stenhammar's defence is that OM is an unusually transparent group, because it reports turnover figures every day, and therefore he didn't know anything more than the market.

One member of Sweden's close-knit financial community says the episode shows Stenhammar's judgment is not what it used to be. For example, when he launched OM, he lined up Sweden's powerful Wallenberg dynasty as shareholders to ensure success.

Noto follows well-oiled path

If the future for the US's oil giants rests overseas, then Lucio Noto looks well qualified to head Mobil, the country's second-biggest oil group, writes Richard Waters.

Noto, 55, takes over the reins at Mobil on March 1, when veteran chairman and chief executive Allen Wallace retires. Unlike other US oil industry chiefs, Noto has spent



most of his working life outside of the US.

Mobil is already one of the most internationally active of the big oil groups. Given the diminishing returns from exploration in the US and the high costs of refining there, most oil groups have their sights set on investment overseas, and Mobil is no exception.

Noto (above), whose parents emigrated to the US from Sicily, is a native of Brooklyn and New Jersey. After joining Mobil in 1962, he held senior marketing and planning jobs in Japan and Italy before running Mobil's operations in Saudi Arabia. During those years, he gained a reputation as both a skilled diplomat and tough businessman.

It was Wallace, with Mobil for 41 years, who brought Noto back to the US in 1985 and prepared him for the top job. He was made head of planning and economics, then chief financial officer in 1989 and president and CEO last year.

BUSINESS TRAVEL

The risk of going that extra mile

Daniel Green on what might happen if all air passengers tried to cash in their offers at once

Free airline seats are a perk for the frequent air traveller. But visions of aircraft full of passengers flying for free are beginning to trouble the airlines. How could the airlines cope? Might the cost force them to renege on their free-flight offers, or close down the frequent-flyer programme entirely?

Frequent-flyer schemes are designed to make passengers loyal to a particular airline. They are awarded points – Air Miles in British Airways' case, for example – when they fly. The points can be accumulated and eventually cashed in for free tickets.

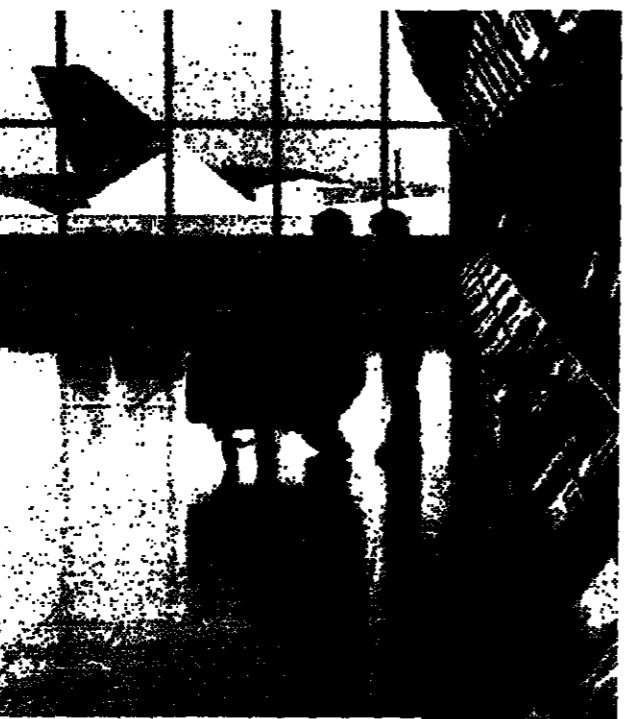
Concern has focused particularly on the BA programme. The fear is that the scheme's 3.5m members could swamp the airline's flights if all those eligible requested their free tickets at once.

Such worries are not without foundation. During the 1980s, some US carriers, such as Pan Am, offered ever greater frequent-flyer incentives to passengers. Eventually, holders of free tickets displaced genuine fare payers, hastening Pan Am's descent into bankruptcy.

BA, which started its scheme in 1988, says this cannot happen today. At worst, it contends, scheme members might not be able to book seats on their first choice of flight. This is already the case for 2 per cent of people asking for free tickets.

The airline is confident nothing will go wrong, because it controls the number of tickets given away on each flight. It and many other airlines have computer programmes that predict how full the flight will be. The results are used to forecast demand, plan capacity and allocate seats to frequent-flyer programme members and to other incentive schemes, such as that run through the UK food retailer, J. Sainsbury.

The principle is simple, says BA: "We do not give away any seats we think we can sell."



BA says: 'We do not give away any seats we think we can sell'

In its last full year, BA had a "load factor" – the average proportion of seats filled on its flights – of 66 per cent, a figure that historically is high for any airline. The remaining 34 per cent of seats on its 340 aircraft are available to be offered in incentive schemes.

Last year, Air Miles travellers accounted for only about 5 per cent of these spare seats. Even if all 2m air miles accumulated by scheme members and not yet redeemed were cashed in this year, this would only take 10 per cent of the unused capacity.

Much of this spare capacity, however, is on flights to less popular destinations. The seat you want on a flight to the city where you are doing business might be unavailable.

There are three busy periods when all seats are likely to be taken by fare-payers:

the days to business destinations such as Paris and Brussels;

the first and last flights of the week to long-haul business destinations such as New York and Hong Kong;

and peak holiday times such as July and August and Christmas.

You may get a free seat on one of these flights, says BA, but it is "likely to be more difficult".

Snow man's land

Travellers to Japan today should check the status of their flights before leaving for the airport. The worst snow storm to hit Tokyo and its surrounding areas in 25 years left the country's road, rail and air traffic paralysed yesterday.

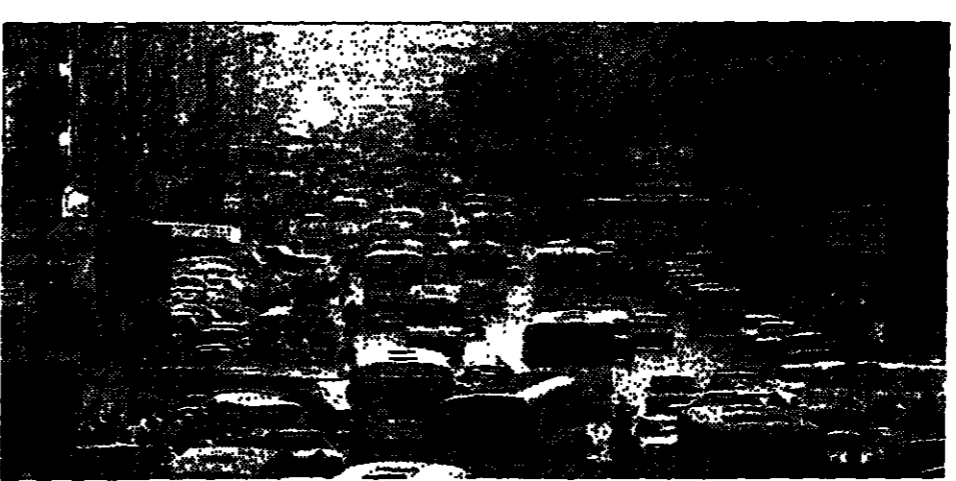
Shinkansen "bullet train" services were running slow, airports were crisscrossed with passengers unable to take flights on Saturday and most main highways leading to the capital were closed.

Saturday's storm meant many international flights heading for Tokyo were diverted to Hokkaido in the north. Tokyo's main international airport at Narita was closed and cut off from the capital on the weekend.

Near normality

Transport hubs in the north eastern US returned to near normal yesterday after days of struggle caused by the worst

JOGGERS' GUIDE: Cairo Oases for athletes



Street wise: determined joggers can find a few places to run, away from the traffic fumes of Cairo

are ways and means, despite the busy chaos of Cairo's streets and lack of parks. An extended run south along the banks of the Nile from the main riverside hotels in central Cairo might offer the fewest hurdles or interruptions, but the route – as with most runs

in town – is alongside a busy main road.

This way you will encounter perhaps the most serious deterrent: pollution in Cairo's streets is terrible. According to UN figures, Cairo's 1m cars emit more than 1m tonnes of lead into the streets a year –

not surprising given the poor state of most vehicles. Cars are not required to meet any officially tested level of maintenance, and more than 60 per cent are over 10 years old.

The heat and the nature of Cairo's streets mean that the

resulting heavy fumes are seldom cleared away by winds. The truly determined athlete might consider wearing a mask.

There are a few oases where a more pollution-free run is just about possible. Probably the best is the Gezira Club on Zamalek island, opposite the main strip of five-star hotels in central Cairo. An E£10 entrance fee wins access to the biggest green space in central Cairo, which has a battered but serviceable running track and several football fields.

There is even a horse-racing track around the outside, which would offer a good workout – but be ready for a sprint along its southern fringe, which is prowled by packs of mangy wild dogs.

Social runners could join up with the Hash House harriers, who meet two hours before sunset every Friday for runs by the pyramids or in the desert. You can find out where they are meeting by phoning numbers in the back of the widely available Egypt Today magazine. After each run, the Cairo Hash walks hard at replacing lost fluids with beer.

Mark Nicholson

TRAVEL UPDATE



snow storm in more than a decade.

Freezing drizzle and light snow were reported in a wide area from Baltimore to Boston in the early hours of Sunday, but there no hint of any repeat of Friday's knockout punch that paralysed the region with a foot to 18 inches of snow.

All main airports were open, and trains and buses were running on time. Both Kennedy and Newark airports reopened after being closed most of Friday. Spokesmen for big US airlines said that, weather permitting, they hoped those airports as well as Laguardia would be operating normally.

Flight of fancy

Our account last week of travellers' difficulties with airlines requires a correction, according to the Air Transport Users Council, a UK body which represents air passengers' interests.

Mr David Darby, a London patent agent, received cash compensation for his wife and two children after they were bumped off a flight from the US to London.

Mr Darby argued, and Continental Airlines eventually accepted, that compensation was due under European Community regulations because the flight ended in the EC. The Council points out that the regulations apply only to flights departing from the EC.

Mr Darby was entitled to compensation, but that was because the flight originated in the US. Passengers bumped off flights leaving the US or the EC are entitled to compensation. In other countries, compensation is entirely at an airline's discretion.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	☀ 7	☀ 10	☀ 8	☀ 5	☀ 3
Hong Kong	☀ 21	☀ 20	☀ 21	☀ 19	☀ 20
London	☀ 2	☀ 3	☀ 2	☀ 6	☀ 8
Frankfurt	☀ 3	☀ 2	☀ 2	☀ 2	☀ 2
New York	☀ 2	☀ 3	☀ 0	☀ 2	☀ 4
L. Angeles	☀ 21	☀ 21	☀ 20	☀ 17	☀ 16
Paris	☀ 1	☀ 3	☀ 6	☀ 6	☀ 6
Zurich	☀ 2	☀ 1	☀ 2	☀ 2	☀ 4
Osaka	☀ 2	☀ 3	☀ 1	☀ 2	☀ 2

Medium temperatures in Celsius. Information supplied by Meteo Consult of the Netherlands

Hotel prices

Hotel rooms in Osaka are the most expensive in the world, costing an average £166 a night, a Hogg Robinson Business Travel survey reports. Tokyo was the second

most expensive city, at £162 a night. Third place was held by New York (£122), followed by Hong Kong (£119), Zurich (£118), Paris (£114) Frankfurt (£111) and Brussels (£109). London emerges as the surprise bargain: average room rates of £83 put it in 38th place.

ARTS GUIDE

Concert

Youthful promise

At the Wigmore Hall Marks & Spencer is sponsoring a three-concert series, "Outstanding Young Artists". The second concert was given on Thursday by the 20-year-old pianist Leon McCawley, who failed to win the Leeds competition last September. The jury was widely thought to have made the wrong choice - especially because McCawley was roughly ten times as creatively illuminating in Beethoven's First as the eventual winner was (his name escapes me) in the "Emperor".

My own vote would have gone, like the BBC-2 viewers' ballot, to the American Mark Anderson - unmatched for "mature range and communicative power". I wrote here at the time. McCawley's virtues were more specialised, though brightly original and winning in the right repertoire. An "outstanding young artist" he certainly is; but his Wigmore recital made one reflect once again that the best thing for most OYAs would be to emerge for public appearances just a few times per year, and then return to private, self-critical development.

The recital's best moments had a true first-water sparkle, above all in four Scarlatti sonatas. McCawley turned period-ornamental passages with rare grace and feeling, as he had done at Leeds in Haydn and early Beethoven. Though he was artfully tender with the *rubato* breaks, he indulged too many of them for the good of Scarlatti's brilliant energy - and he varied them hardly at all in the many repeats.

Instead of more Haydn or early Beethoven, McCawley chose to offer us the last and most monumental of Beethoven's sonatas, op. 111 in C minor. Only in the last generation or two have ambitious young pianists taken to displaying themselves in late Beethoven, like novice conductors undertaking late Bruckner or Mahler symphonies because those are famous test-pieces.

The trouble is that late Beethoven is neither very showy nor outstandingly tuneful. McCawley's op. 111 was sincere and thoughtful, not much more. A fine sense of the near-orchestral muscle in the Allegro, once past a pallid prologue; then some moments of shining simplicity in the Adagio variations, not threaded upon any continuous, compelling purpose.

After the interval he played Scriabin's moonstruck op. 57 pieces exquisitely and bloodlessly (which may be right). The earlier, more robust op. 43 Etudes had sensitive moments, but in no. 1 the tune disappeared altogether.

In Liszt's *Venezia e Napoli* suite, McCawley delivered the gloomy central "Canzone" louder than almost anything else in his programme, and the showpiece fizz of the final Tarantella never accumulated the head of steam it deserves. (Balazs Szokolay, a 1990 Leeds competitor, made something memorably electrifying of it despite far more fingerings.) If McCawley were to concentrate for the moment on the rich range of what he does best, that would be far better than trying to stake claims to the whole virtuoso repertoire.

David Murray

Architecture/Colin Amery

Heritage of the recent past

Heritage is a flexible word, and some people may be surprised to hear of it being applied to the present century. But at a seminar in London last week, the word was used to describe post-war (the second world war) architecture in England. The seminar was part of a campaign by English Heritage to inspire more public debate about the listing and protection of the nation's post-war buildings.

The listing system, which protects historic buildings in England, is an area of contention. Listing does not necessarily protect a building from demolition. But the process can make demolition difficult if planning authorities apply listing regulations with rigour, causing delays and frustrations wherever possible. Sometimes, however, planners let buildings fall down or agree to certificates of immunity from listing in a way that does no credit to the system or to the consistency of bureaucratic judgement.

It takes a partisan architectural historian or a practising Marxist to see merit in many of the concrete towers and crumbling town centres that passed for architecture in the years 1945-1970. It is difficult to find a consensus on the quality of much of the detritus of that period, which was why English Heritage called the conference. It was wise of English Heritage to include in their deliberations not just the naturally biased architects of that generation, but also property developers, engineers and town planners and members of the press and public who care about architecture.

It was English Heritage, under the sometimes inspired chairmanship of Jocelyn Stevens, which initiated a research programme in 1991 to encourage both experts and the public to consider a more systematic approach to listing the architecture of this tricky period.

The most difficult architectural, aesthetic and philosophical judgments are those about the period that is nearest to us. This is just as true when it comes to literature, painting, sculpture and music. Judgment needs the perspective of time.

When the idea of listing buildings began as a result of the 1947 Town and Country Planning Act, the problem buildings were those of the Victorian and Edwardian periods, and nobody was looking at the work of the architects who designed buildings during the reigns of Kings George V or VI.

It was not architects, but writers like the late Sir John Betjeman and Dr Mark Girouard, who encouraged the development of a public affection, sometimes a sentimental one, for Victorian and Edwardian taste. To date, what listing has supposedly achieved is the recognition of the major architectural creations of all periods up to the recent past.

A building has to be 30 years old to be considered for listing, with the one exception: that of a later building which is considered outstanding, if it is in grave danger of demolition or irrevocable alteration.

In 1970 that great lister of the buildings of England, Sir Nikolaus Pevsner, identified the first 50 inter-war buildings to be listed. Today there are more than 600. It is his

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legacy of thoroughness that inspires the researchers of English Heritage.

Some 750 post-war schools, colleges and universities were carefully examined and last year the Secretary of State for National Heritage accepted the recommended final list of 95 separate educational establishments.

It is a fascinating, if controversial, list which includes three schools designed by the pioneering Hertfordshire County Council in the late 1940s and early 1950s. These are schools redolent of the brave new world that was about to emerge through the policies of the welfare state. They are the antithesis of the cosy Victorian village schools; they have large windows, colourful panels and that sense of perpetual sunshine that was to enlighten our post-

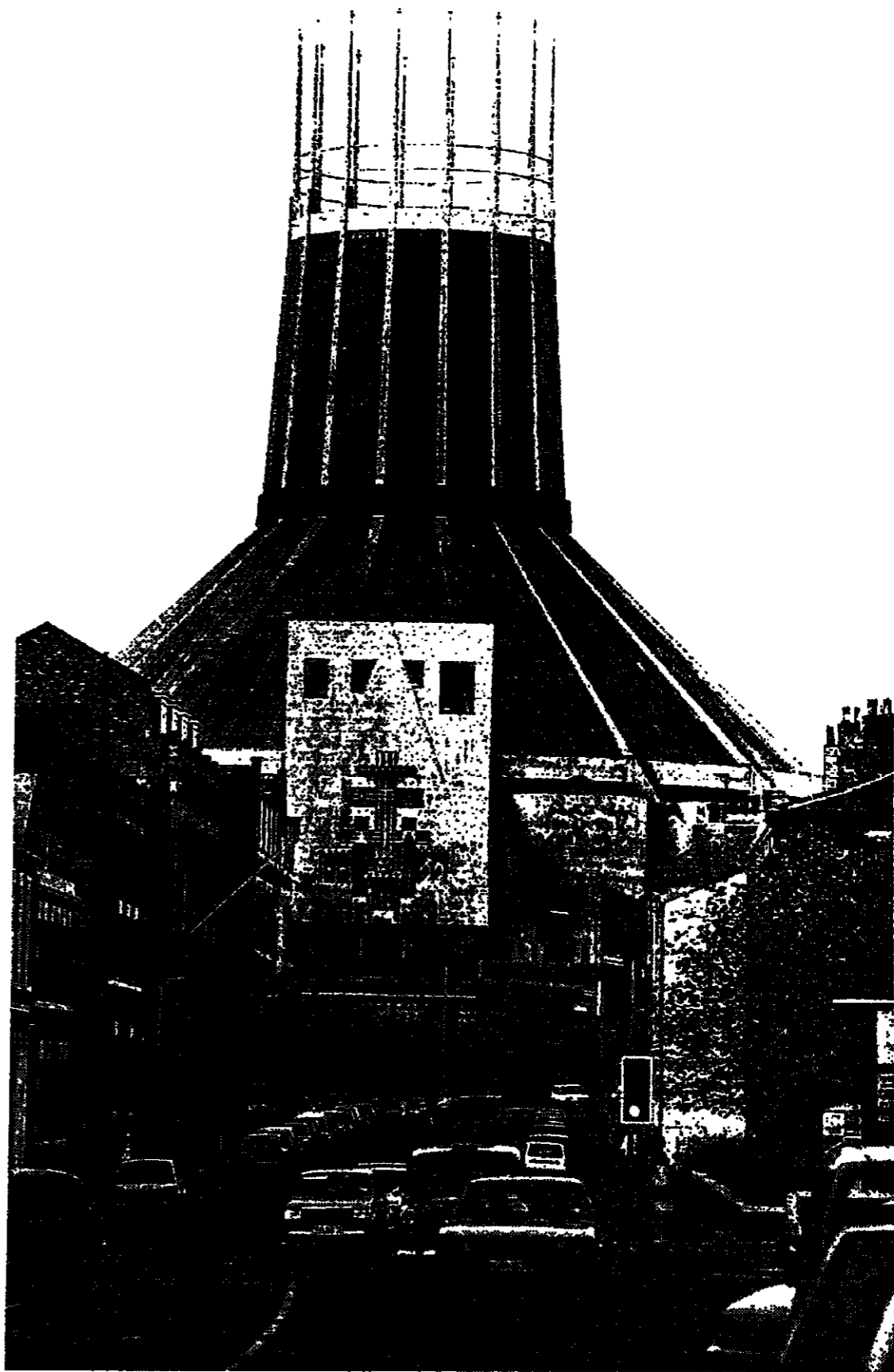
war children. I was a post-war child and I well remember that strange mixture of excitement and disappointment when I was transferred from an Edwardian citadel of learning, with its copper domes and rows of arched windows, to a naked and pristine new box unrelieved by any aspirational ornament.

There are some horrors on the educational list that are no doubt historically important, like the school at Hunstanton in Norfolk by Alison and Peter Smithson: the first but not, sadly, the last Brutalist school. James Gowan and James Stirling's Leicester University Engineering Building, in all its angular red glory, is now a listed building as an original pioneer of British High-tech architecture. Sussex University by Sir Basil Spence, England's first post-modernist architect, is now an elevated Grade I monument. That distinction rightly belongs also to St Catherine's College, Oxford, by the Danish master of modernism Arne Jacobsen.

There are other types of buildings on the first major post-war list - Coventry Cathedral by Sir Basil Spence and, as of last week, the Roman Catholic Cathedral of Christ the King in Liverpool designed by Sir Frederick Gibberd. That great adventure in reinforced concrete with its staggering parabolic curved roof, the 1962 Stockwell Bus garage for London Transport by the architects Adie and Button, is now a starred Grade II.

Public housing from the post-war period is a very dicey area. So often the idea is significant, but the quality of execution and maintenance leaves a lot to be desired. Tower blocks like the Trellis Tower by Erno Goldfinger and the "cluster" block, Keeling House in Bethnal Green (now in decay and more or less uninhabited) by Sir Denys Lasdun are on the list as cyano-types of a particular moment of social housing.

An exhibition of some of the grand ideas and failed ambitions of the post-war period will tour the country to encourage more public involvement in the listing process. It can be seen in the City of London at 125, Cutler's Exchange, Houndsditch from 16.25 of February under the winning title "Age of Optimism". It is worth seeking to enter the debate. After all, anyone can write to the Secretary of State for National Heritage to suggest a candidate for listing. It is all much too important to be left to architects.



Recently listed - the Roman Catholic Cathedral of Christ the King, Liverpool

Opera/Max Loppert

Chamber-sized Turandot in Cardiff

Replete with a decisive, individual brand of theatricality that adds new zest to one's experience of the whole work

ing of the argument than in advance I could have believed possible: not completely successful, in truth, but replete with a decisive, individual brand of theatricality that adds new zest to one's experience of the whole work.

Aiden, twin-brother of David, whose *BNP*, *Masked Ball* and *Ariadane* have provided London opera-goers with some of their most celebrated deconstructionist splendours (or, according to taste, miseries) of the last decade - uses the limitations of the Cardiff New Theatre stage-space and the in-built restrictions of WNO production scale to make this a chamber-sized *Turandot*, in which star-

tingly beautiful stage feats are accomplished with streamlined simplicity. Brilliantly designed by Paul Steinberg, the set is an enclosing curve of purple corrugated iron, marbled in pat-

The China thus summoned up is a curious dream-world blend of antique ritual and rigid Maoist regimentation (the three masks seated at bright red desks and typewriters, the

reliant on the slow-motion parading and floor-level trawling of identikit-surrealist modern opera production.

The concern to humanise both main characters and to

freshness of the approach and the wholehearted commitment of all its executants certainly pleased tolerance of the attempt.

Saturday was one of the WNO Chorus's best evenings in years. It was also a good outing for the company's casting department: worthwhile newcomers (such as Anthony Stuart Lloyd, the soft-grained young Timur) and company regulars (David Barrell, the drily skilful Ping) in smaller parts, an interesting choice of principals. Mary Jane Johnson's singing of *Turandot* may be an acquired taste - notes simultaneously hard and curled mingle with powerful, radiant ones - but her presence is exactly judged;

Edmund Barham's first Calaf, very well studied, lacked his usual forceful projection (an unannounced cold?); in her British debut the American Patricia Racette, a soprano at once vibrantly emotional and subtly reticent, gave Liu's music more definition than anyone else on stage.

The disappointment was the conducting of Carlo Rizzi, who unfolded some parts of the score with sparkling precision, rushed, flubbed and fumbled others, breathed too little air into the panoply of exquisitely finished nocturnal sonorities, and generally gave the impression of not having focused an all-through interpretation of the opera. When he has, this will be a *Turandot* of unusual distinction.

Welsh National Opera: in repertory in Cardiff, Birmingham, Southampton and Bristol until April 22

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE

Deutsche Oper The main event this week is the revival on Sun of Otello with René Kollo and Julia Varady (repeated Feb 24, March 1 and 4). Christa Ludwig bids farewell to the Berlin stage on Thurs in Elektra. In which she sings Klytemnestra. Repertory also includes Macbeth, Un ballo in maschera, Albert Reimann's 1992 Kafka opera Das Schloss and an evening of John Neumeier choreographies (341 0249) Staatsoper unter den Linden Final performances of two Gluck productions - Alceste and Iphigénie en Tauride - are on Sat and Sun in French-language productions staged by Achim Freyer and conducted by Martin Hengelbrock. Repertory also includes Der fliegende Holländer with Maria Zampieri singing her first performances as Senta (200 4762/ 2035 4494)

CONCERTS

Schauspielhaus Tomorrow, Wed: Donald Runnicles conducts Berlin

Staatskapelle in works by Mozart, Britten and Shostakovich, with tenor Keith Lewis and horn Sebastian Weigle. Thurs, Fri, Sat, next Mon: Michael Schoenwandt conducts Berlin Symphony Orchestra in Friedrich Kuhlau, Elgar and Richard Strauss (2090 2148)

Philharmonie Tomorrow, Wed: Chinter Wand conducts Berlin Radio Symphony Orchestra in Beethoven's First and Third Symphonies. Thurs: Gidon Kremer and Martha Argerich play works for violin and piano by Beethoven. Fri, Sat, Sun morning: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Musorgsky, Prokofiev and Tchaikovsky, with violin soloist Maxim Vengerov. Feb 23, 24, 25: James Levine conducts Zemlinsky and Sibelius (2548 3132) Ernst-Reuter-Saal Sun: Petr Altrichter conducts Prague Symphony Orchestra in works by Smetana and Dvorak (4177 8020)

THEATRE ● Botho Strauss' Das Gleichgewicht (Equilibrium), the latest play by Germany's leading contemporary dramatist, receives its German premiere on Sat at the Deutsches Theater, directed by Thomas Langhoff. Premiered at last summer's Salzburg Festival, it is set in Berlin and examines some of the unsettling personal undercurrents in modern German life (2844 1225)

● Theater am Kurfürstendamm's award-winning production of Neil Simon's boulevard comedy Sonny Boys runs daily till March 20 (882 3789)

● Peter Handke's wordless theatre piece, Die Stunde da wir nichts voneinander wussten, is directed

by Luc Bondy at the Schaubühne, with a cast of 15 actors and dancers from France, Spain and Britain, alongside 25 members of the Schaubühne ensemble. The production will visit this summer's Edinburgh Festival (8900223)

NEW YORK

THEATRE

● Angels in America: Tony Kushner's epic two-part drama about religion, sex, Aids and corrupt politics. Part one is Millennium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 8200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 239 6200)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of authors trying to write a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 48th St, 307 4100)

● No Man's Land: Harold Pinter's drama about two people who exchange bitter views in a well-ordered but hostile home. Cast features Christopher Plummer and Jason Roberts (Roundabout, 1530 Broadway at 45th St, 869 8400)

● Three Birds Alighting On A Field: Timberlake Wertenbaker's satirical comedy, directed by Max Stafford-Clark, about a woman who enters the world of modern art to help her husband's social position (City Center, 131 West 55th St, between Sixth and Seventh

Avenues, 581 1212)

● Heartbreak House: Shaw's drama, set in England on the eve of the first world war, about people so saturated in pleasure that they have lost purpose. In repertory with The Brothers Karamazov, David Fishelson's adaptation of Dostoyevsky (Bouwerie Lane, 330 Bowery at Bond/Second Streets, 677 0060)

● She Loves Me: The 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

OPERA/DANCE Metropolitan Opera Tonight: first performance this season of La fille du régiment (in repertory till March 10). Harolyn Blackwell has taken over the title role from Kathleen Battle, who was dismissed by the Met last week after being accused of unprofessional behaviour during rehearsals. Tomorrow, Fri: David Atherton conducts Colin Graham's new production of Death in Venice with Anthony Rolfe Johnson and Thomas Allen (till Feb 26). Wed, Sat: La nozze di Figaro with Renée Fleming, Marie McLaughlin, Susanne Mentzer and James Morris (till Feb 24). Thurs: Aida with Sharon Sweet and Michael Sylvester. Next Mon: Kant Nagano conducts Dialogues des Carmélites. March 2, 5, 8, 12: Domingo sings Stiffelio (862 6000) State Theater New York City Ballet's winter season runs daily except Mon till Feb 27, with matinees over the title role from Kathleen Battle, who was dismissed by the Met last week after being accused of unprofessional behaviour during rehearsals. 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Samuel Brittan

The enigma of the UK output gap



Inflation may be a monetary phenomenon. But bank notes do not rush off on their own account into the shops to bid up prices and wages. Some transmission mechanism is required.

One of the most important of such mechanisms works through the gap between actual output and productive capacity. A small gap means the economy is working flat out and that firms are willing to pay more to attract workers and are able to edge up profit margins. When the gap is large, wage inflation will decelerate and margins will come under pressure.

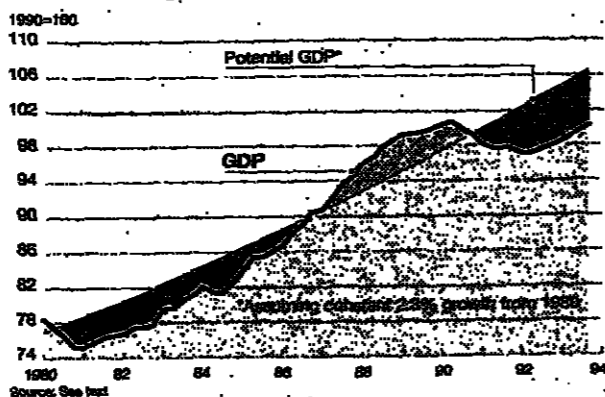
In the 1950s and 60s, available labour was regarded as the main constraint on output, and the gap was estimated from the difference between actual unemployment and some definition of reasonably full employment.

Since then, there have been two big changes in how the capacity gap is viewed. First, the proximate constraint on output is now plant and business capacity, rather than labour. Secondly the size of the gap which policymakers have to tolerate can no longer be determined by some view of desirable output or employment levels. The gap is too low when inflation begins to accelerate, and something then has to be done to ease demand.

How much effective spare capacity is there in the UK in that case? The Bank of England has given a range of 3 to 7 per cent and the Treasury suspects that the true figure is nearer the top of that range. Indeed, a gap of nearly 6 per cent emerges from projecting the trend rate of economic growth of 2½ per cent per annum from the end of 1990, when the economy appeared to be in balance with neither too much nor too little pressure of demand.

David Walton argues in the February Goldman Sachs Economics Analyst that the true gap is much smaller - between 1½ and 3 per cent. This could

The UK output gap



have great practical importance, if it meant that growth could not continue for much longer above trend without the government having to put on the brakes.

Walton reaches this conclusion by using the Central Statistical Office index of cyclical indicators, a method he admits to be highly unreliable, with biases which he tries to correct. The Bank of England makes a case in its new inflation report that there is more unused capacity than City analysts suppose. There are signs that the scrapping of capital has been less than in the last recession. Moreover, the recession was concentrated in areas such as services and contracting, where fixed capital is less important. It will, therefore, have done less than past downturns to reduce supply potential.

Walton in fact doubles back on himself by arguing that his own very modest estimate of excess capacity is not a reason for holding down economic growth. As he remarks, firms which say they are working near capacity can often still make use of extra workers - and, indeed, install new capacity.

Thus, in the end we come back to the labour market and the question of the minimum rate of unemployment consistent with non-accelerating inflation (our old friend the NAIRU). Econometric estimates are not much use here if they vary, as the Bank of England tells us,

from one million - which allows plenty of headroom for above-trend growth - to near the current 2.5m, which would not leave much gap to fill.

Amidst this welter of concepts without good numerical estimates, there is one thing we do know. This is that, whatever the output gap, it is narrowing slowly. We know this from the combination of the unexpectedly sharp fall in unemployment and other labour market indicators, and from business survey evidence.

We can also be reasonably confident of one theoretical point. This is that underlying inflation depends not only on the size of the output gap but on the rate at which that gap is changing. When the gap is already shrinking - and there is thus no real need to worry about the strength of the recovery - why take risks with a clumsy base rate cut? Forecasts about the effects of tax increases in a financial year which has not even started cannot be a sufficient reason.

No doubt, many of the financial market operators who responded badly to the base rate cut had never heard of the output gap or the NAIRU. And by last Friday they had a more familiar misleading knee-jerk indicator to react to, in the shape of one month's trade figures. But, abstracting from all the froth, they did have deeper reason to worry that there was something not quite right about the way the base rate decision had been taken.

Will we, five or 10 years from now, look back on the events of the past few weeks in South Africa and say: That was when it all started? That was when South Africa's dream of a stable, prosperous, multiracial nation turned to ethnic nightmare?

Every South African, every international investor, every foreign government - everyone with a constructive interest in the African continent - must hope that scenario is mere hysterical fantasy. Many believe it is: they argue that the far right's support is minimal and the strength of the military overwhelming; that South Africa's security forces can crush violent dissent from the black and white right, which have vowed to resist April's all-race elections and missed their final chance on Saturday to register for the poll, so casting doubts over whether a poll can be conducted in all parts of the country.

But if no one can quite believe that South Africa could join the list of ethnic horror stories of our time - it is a fate too ghastly to contemplate - the country's politicians have yet to demonstrate the will to avert such an outcome.

The collapse of trilateral talks between the government, the African National Congress and the rightwing Freedom Alliance illustrates a spectacular failure of political will on all sides. A deal was within reach which might have brought at least a large proportion of the white far right and the Zulu-based Inkatha Freedom Party into elections, consolidating the centre and leaving only the extreme fringes in violent opposition. But in the end, South Africa's politicians failed to reach out and take it.

It is easy to heap most of the blame on Inkatha leader Chief Mangosuthu Buthelezi: he shouts at journalists, insults ambassadors, exasperates businessmen and, in the words of political columnist Ken Owen, of the Johannesburg Sunday Times, "has alienated his democratic friends, here and abroad, by petulant quarrels... surrounded himself with eccentric foreigners and sycophants... (and) drifted into shabby alliances with bantustan leaders and rightwing racists" - among them Eugene Terre-Blanche, leader of the Afrikaner Resistance Movement (AWB). Chief Buthelezi is his own worst enemy.

But if his behaviour is outrageous, his demands for constitutional change are not: one can question his motives, his

Things threaten to fall apart

A failure of political will endangers South Africa's transition to democracy, says Patti Waldmeir



Mangosuthu Buthelezi (left) has some shabby allies, such as AWB leader Eugene Terre-Blanche (right), but a plausible case

reliability as a negotiator, his willingness to contest free elections. But his basic constitutional demand is far from unreasonable: he wants a federal South Africa, arguing that such a model would best cater for one of most ethnically fragmented societies on earth.

No issue is so central to South Africa's future: will the political system guarantee ethnic minorities real power, or relegate them to the role of permanent, impotent opposition? Every democracy is, in some sense, the dictatorship of the majority. But can South African democracy survive if the constitution creates permanent losers, who can never hope to rule? Can it prosper if a significant minority of the electorate rejects the legitimacy of the constitution?

Federalism would offer regional minorities, such as the Zulus, a chance to secure a political base, and use it to keep the majority - ruling from the centre - in check. But the ANC is suspicious of this argument for its goal has always been to create a colour-blind South Africa where ethnicity is subsumed in a single nationhood. (Afrikaner Volkfront leader General Constand Viljoen mocks this, saying nations cannot be built "like you make instant coffee": a little black, a little white, a little bit of coloured...)

Still, the ANC seems willing to accept the need to accommodate Afrikaner ethnicity. For though it is easy to dismiss the white far right as neo-fascist racists, the ANC accepts that some ordinary decent Afrikaners also want a homeland, or *volkstaat*. Indeed, though the deal has since fallen through, the ANC agreed in principle to establish such a *volkstaat* after the elections, with a separate Afrikaner chamber in parliament to work out the details. But when it comes to assuaging Zulu fears of domination, the ANC draws the line: they believe Chief Buthelezi's only goal in arguing for federalism is to perpetuate his power in a tribal state called KwaZulu.

While they are prepared to

allow the Zulu King Goodwill Zwelithini to remain a symbolic monarch under Natal's new constitution, they refuse Chief Buthelezi the strong provincial powers he demands. It is almost as though the ANC accepts that whites may fear blacks - but that blacks may not fear other blacks. Yet the

Can democracy survive if the constitution creates permanent losers?

history of African decolonisation suggests the highest price is usually paid by Africans.

So, after 2½ years of stop-start constitutional negotiations, the gulf between the rightwing and the ANC remains as wide as ever. The ANC believes it needs a strong central state to carry out its

sacred charge: to empower blacks economically, after centuries of deprivation. And the right wants regional autonomy to protect itself if the ANC uses that central power to oppress rather than to uplift.

Yet even some ANC officials believe the party did not try hard enough to accommodate the Freedom Alliance. It could have conceded marginally greater powers to regions, including limited regional taxation, and offered to entrench these powers in the final constitution. Such a deal was on the table, agreed between the Freedom Alliance and government last year, but the ANC rejected it. In the end, the ANC made a purely tactical offer: two ballots, but nothing on regional powers. They won the tactical battle, but lost the moral high ground.

"I put myself 10 years down the road and I say: should we have been so stubborn on this and that? Was it worth it?"

asks one ANC official. His concern is echoed by a government negotiator: "Is the ANC really prepared to accept a civil war to ensure central government has overriding powers on health policy?"

Even now, it is not too late to avert this grim prospect, whatever legal deadlines have passed. Parliament could retroactively extend the election registration deadline. Creative solutions could be found to allow last-minute participation, but only if parties find the will to reach real agreements, and not just move deadlines. At least all parties say they are still committed to negotiations, and have stopped short of an overt call to violence.

There is a chance that the white far right could yet be persuaded to participate: both the ANC and AVF tried hard to do a deal, and may yet succeed. But the breach with Inkatha appears permanent. Inkatha negotiator Ben Ngubane accuses the ANC of "sacrificing national unity for power": it is far from clear that the ANC is willing to reverse that order of preference.

Either way, April's elections will almost certainly go ahead, however violently the right resists. Government officials vow that they will be "ruthless" in suppressing dissent (with full ANC support). As one government official says: "If the fight is on, then it is on. We will act with full force and right at the beginning and wipe them out."

But one can be forgiven for wondering whether the right - the Zulu *impis* (war parties) and conservative whites with military training and access to commercial explosives from the mines and, possibly, to larger arms from military armories - can be crushed so easily. Neither is a majority, even within their own ethnic group, but each, and especially both together, can cause havoc through sabotage and terrorism, and a sharp increase in serious township violence.

Ben Ngubane warns: "The constitution should reflect the diversity of South Africa. If it does not, there is every chance that there will be no new South Africa." Dr Ngubane is almost certainly wrong. The new South Africa will be born on schedule; but it could prove less stable, prosperous and democratic than seemed possible only months ago. South Africa's politicians can step back from the brink - but first they must find the will to do so.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Know what I mean?

From Mr Thomas D Fuller.

Sir, It was surprise and pleasure that I took notice of the headlines, "Japan agrees stimulus deal" (February 9) and "Nato agrees air strike threat" (February 10). Now, I had regarded myself the only one who thought badly prepositions and proposed that they be done.

These pesky words are a disgrace to the language. They are susceptible to misuse everyone, and frequently get the way of comprehension. We do not have to put this confusion. By dropping them our vocabularies, we see how easy it is to get one's meaning and make do less space well; and I will argue vigorously anyone who disagrees me. Their elimination also allows one to discuss the cumbersome rule that one should never make use a preposition end a sentence.

Keep the good work! Long, I trust, I shall be able think pleasure and admiration the famous soliloquy Hamlet: "Be or not be, that is the question."

Thomas D Fuller,
4 Avenue Constant Coquelin,
75005 Paris, France

Sinister note

From Mr M S White.

Sir, The statement by Sir Robin Butler, head of the Home Civil Service, to the Scott inquiry will be given a sympathetic hearing by many who agree that the reporting may have prejudged the issue ("Civil service head asks Scott to 'undo damage' of inquiry", February 10). Unfortunately, the statement includes a remark which appears most sinister in its implications.

Sir Robin claims that "the victims (the civil servants) are often middle-ranking officials who could not have expected to be thrust into the limelight". Does he mean that they did expect not to be found out? Or is he perhaps claiming safe haven for them because they were only following orders?

From time to time even middle-ranking officials have to take courage, stand up and be counted, preferably long before the matter comes to public inquiry.

M S White,
19 Statham Close,
Luton, Beds LU5 4EL

Justifiable way to boost exports

From Mr A K Goldsmith.

Sir, In your editorial, "Arms and the dam" (February 8), you urged MPs investigating the Fergat project to consider also more general questions about the purpose of the aid budget, and whether it should be used to boost non-military exports. British contractors working in international markets would welcome a public discussion of these issues.

Our main competitors have no inhibitions about using bilateral aid to promote their own exports. Britain has for many years given less bilateral aid, both in value and as a proportion of total aid, than

any of its main competitors. This is a handicap for British contractors, and for the large network of suppliers and subcontractors throughout the UK which depend on them.

The Aid and Trade Provision (ATP) was set up in 1978 specifically "to finance sound development projects in circumstances where British firms were having to contend with aid-backed offers from their competitors". It is an internationally-recognised form of aid, covered by stringent OECD guidelines, and currently accounts for less than 5 per cent of the total Overseas Development Administration

budget. It has enabled a number of sound development projects in Asia and Africa to go ahead which would otherwise not have done so, to the benefit of their economies and of our own. We believe it would be in the interests of the taxpayer for more of our aid budget to be spent in this way, and we are more than willing to participate in public debate on this issue.

A K Goldsmith,
director general,
The Export Group for the Construction Industries,
Kingsbury House,
15-17 King Street,
St James's, London SW1Y 6QU

Crackdown on fraudsters should be intensified

From Mr Martin E Jones.

Sir, The status of the City of London as the premier global financial centre is one of the UK's most important assets. However, this position is at risk because large fraud is a growing problem.

Recently, there have been initiatives by the government, the Securities and Investments Board and the accounting institutes to increase the detection rates of fraud. These initiatives are to be commended and should result in some increase in the level of detection of City fraud and abuse. However, they are not enough - prevention is better than cure.

Touche Ross believes that there is further scope to crack down on fraud. Fraudsters are tempted to deceive auditors and regulators because the laws in this area are weak and not being enforced as vigorously as they should be - there is no effective deterrent. This problem can be overcome by making knowingly deceiving an auditor or regulator an arrestable offence with a maximum custodial sentence of five years. Also, any person who commits such an offence should be made liable (without indemnification from any other party) for any losses that arise. We believe that more prosecutions focused on such an offence would be a useful deterrent not only for would-be fraudsters but also for their cronies and subservients whose participation is usually

essential to perpetrate a large fraud. It would also result in a tougher and quicker system of prosecution and trial which provides better value for money.

Toughening up the law on deceiving auditors and regulators could have another useful effect. Because his fraud usually involves deceiving auditors or regulators or both, tougher laws in this area could open the way to some deregulation of City rules and regulations, many of which are directed towards more minor abuses. By removing some of these rules and regulations, the war against fraud would be better focused and could even help London enhance its global position by reducing the burden on honest businessmen who would have nothing to fear from new laws in this area.

Ultimately, what matters most is that fraudsters should be made to pay dearly for the damage that they inflict on their victims. Those facing fraud charges should not receive legal aid while continuing to live the "life of Riley". It is time we cracked down on fraudsters and stopped them hurting their victims, who are often the weakest members of society.

Martin E Jones,
national audit technical partner,
Touche Ross & Co,
11th House,
1 Little New Street,
London EC4A 3TR

No sign of evidence

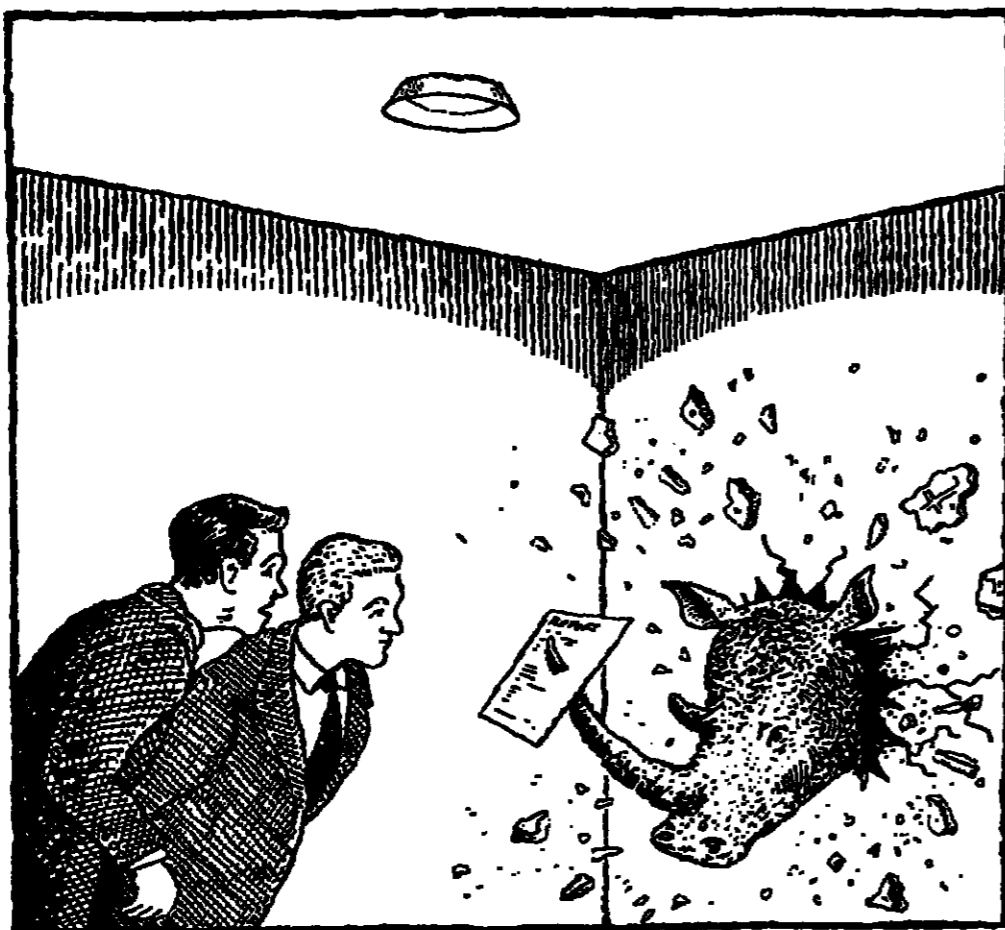
From Mr Barry Reamsbottom.

Sir, If public service minister, William Waldegrave, has evidence to show that market testing has led to savings of 25 per cent, together with improvements in the quality of 1 in 3 of the services tested, why does he continue to refuse to publish a single piece of evidence, to substantiate these claims? ("Public work totalling 21.1bn put out to tender", February 8).

Only recently, a whole series of obviously co-ordinated parliamentary answers from each department of state refused to give MPs any information on the level of savings that had accrued from their market testing programmes. Each answer was also carefully worded to indicate that, while at some point in the future overall figures for savings would be released, these would not be broken down by individual market tests.

The minister's remarks on quality must also be taken with a huge pinch of salt. As one of our main criticisms of the whole market testing process is precisely that the new contracts for services do not contain mechanisms for properly checking and monitoring quality, the assertion that services are already getting better is ridiculous.

Barry Reamsbottom,
general secretary,
The Civil and Public Services Association,
160 Falcon Road,
London SW11 2LN



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Monday February 14 1994

Littlechild's power gamble

The British government's decision in the late 1980s to privatise the power generation industry as a duopoly has been a costly error. Consumers have been charged more for their electricity than they would have been in a more competitive market. To free themselves from the generators' market power, regional electricity companies made premature investments in gas-fired plants. As a consequence, thousands of coal miners lost their jobs.

Last week's deal between Prof Stephen Littlechild, the electricity regulator, and National Power and PowerGen will do nothing to repair the damage of the past. What it may do is make things better in the future. But even that is far from certain.

The reason for some hope is that Prof Littlechild has focused on the heart of the problem: the fact that National Power and PowerGen own virtually all the country's coal and oil-fired plants. These have higher running costs than the nuclear and gas-fired stations owned by competitors and so, under the complex pool system, are the last to be brought on stream as demand mounts. Control of this marginal plant effectively enables the duopoly to fix prices not just in the pool, the wholesale spot market for electricity, but also for longer-term contracts.

Under the deal with Prof Littlechild, National Power and PowerGen have agreed over the next two years to sell 6,000MW of plant, equivalent to six large stations. The hope is that the new owners of this capacity will bid vigorously to keep prices low. In the interim, there will be a two-year price cap, cutting pool prices by up to 7 per cent.

The price cap will benefit large industrial users, which often buy electricity direct from the pool. Smaller companies and residential customers, though, will get little immediate relief. Their prices are largely determined by five-year contracts put in place at the beginning of last year.

Not ideal

Although the prices in these contracts are even higher than pool prices, Prof Littlechild decided not to revise the terms. This is largely because the government brokered the contracts when

it has not been a great weekend for British capitalism. On Friday night, British Aerospace confirmed the widely reported departure of its chairman, Mr John Cahill, with a laughably inadequate explanation of why he was leaving less than half way through a five-year contract. "This is an appropriate moment for him to relinquish the chairmanship to allow him to spend more time..." and so on and so forth. No mention here of the widely discussed confrontations with his fellow executives, or of his potential profits on stock options estimated at \$3.2m. Yet this huge reward raises questions, not only about British Aerospace, but also about managerial incentives in British business.

Yesterday, an analysis in *The Mail on Sunday* added to the view that company executives find it too easy to line their own nests. Immediately after the privatisation of the regional electricity companies - at share prices which were designed to attract buyers - directors were granted stock options which are now falling due, and which will reportedly bring them profits of some £18m. Rewards on this scale may be appropriate for entrepreneurs in high-risk businesses or new start-ups. They seem out of place in an established regional utility.

In Anglo-Saxon corporate culture, the performance of companies tends, for better or worse, to be closely identified with the individuals at their helm, who are often rewarded accordingly. This must at least in part be because they are freer from the controls imposed on German or Japanese companies by supervisory boards or from the direct power exercised by stakeholders, such as the banks or other large shareholders. There are plenty of examples in the US and the UK to show that such freedom can be abused.

Roulette

In a report on today's management page, Lucy Kellaway suggests that executive share options have more to do with roulette than with rationality - and it might be added, the game is played with very favourable odds. According to a survey published today, most shareholders agree that existing schemes are flawed, in that executives stand to gain in

it was trying to find a way out of the 1992-93 coal crisis.

Prof Littlechild's resort to price control is not ideal. Price regulation can make a market less flexible and competitive. However, in this instance, it can be defended as a purely temporary measure while the divestment process is completed.

The bigger question is whether the disposal of 6,000MW of plant or roughly 10 per cent of England's generating capacity will be enough to curb the duopoly's market power. Prof Littlechild thinks it will. Once competition from new gas stations, Nuclear Electric and imports from France and Scotland is included, the duopoly's share of generating capacity will fall to under 50 per cent.

Too optimistic

However, it would be wrong to be too optimistic. Nuclear Electric, gas stations and imported electricity may dent the duopoly's market power, but not by much given that they do not own marginal plant. And, though the new competitors created after the duopoly's divestment will be in a better position to influence prices since they will probably own marginal plant, it remains to be seen whether two minnows will be sufficient to restrain the market power of companies many times their size.

Why, then, did Prof Littlechild not insist on a much more ambitious disposal programme? That would have broken the duopoly's power for good.

The answer is almost certainly that to do so would have required a referral to the Monopolies and Mergers Commission. Not only would that have delayed any benefit to consumers, Prof Littlechild, who must have been acutely aware of ministers' recent refusal to back an MMC recommendation to break up British Gas, could not have been sure of the outcome. An MMC referral would also have postponed the government's plans to sell its remaining 40 per cent stake in the generators.

There is something to be said for clinching a deal now rather than gambling on a monopoly investigation. But Prof Littlechild has also gambled that the sale of a handful of stations will be sufficient to curb the generators' power. Customers can only hope his gamble pays off.

Lining the executive nest

It has not been a great weekend for British capitalism. On Friday night, British Aerospace confirmed the widely reported departure of its chairman, Mr John Cahill, with a laughably inadequate explanation of why he was leaving less than half way through a five-year contract. "This is an appropriate moment for him to relinquish the chairmanship to allow him to spend more time..." and so on and so forth. No mention here of the widely discussed confrontations with his fellow executives, or of his potential profits on stock options estimated at \$3.2m. Yet this huge reward raises questions, not only about British Aerospace, but also about managerial incentives in British business.

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In a report on today's management page, Lucy Kellaway suggests that executive share options have more to do with roulette than with rationality - and it might be added, the game is played with very favourable odds. According to a survey published today, most shareholders agree that existing schemes are flawed, in that executives stand to gain in

Disapproval

In the end, stock options and more general questions about the overall level of executive remuneration must be a matter for shareholders to resolve. There are welcome signs that they are taking this task more seriously - a five-year contract of the type signed by Mr Cahill in 1982 would probably meet with their disapproval in today's climate.

At the least, there is a need for greater transparency of the value of incentives granted, including options. The Financial Accounting Standards Board has stirred up a hornet's nest in the US by proposing tough new disclosure standards. That is no reason for not getting on with the job in the UK. Given the potential conflict of interest between the managers of an enterprise and its owners, all incentives schemes need full and thorough justification.

Once schemes are made sufficiently transparent, public opinion has a role to play as well. The main threat to the political legitimacy of British capitalism would be a widespread perception that those who run it are, at best, unduly greedy. A climate of opinion that condemns out of hand schemes able to reward managers regardless of their individual performance is in the best interests not only of companies and their shareholders, but of the capitalist system as a whole.

Today is the deadline for Lloyd's Names to accept or reject the London insurance market's \$900m offer of compensation to meet claims of \$2.2bn stemming from recent losses.

Soon after 3pm, Lloyd's should know whether enough Names - the individuals whose personal wealth supports the market - are prepared to accept the deal, thus saving Lloyd's from years of complex, time-consuming and expensive litigation, and restoring its badly tarnished reputation.

The offer, announced two months ago after more than a year of acrimonious argument, allocates money to 22,921 loss makers according to their exposure to 39 syndicates (groups of Names) in 67 separate years of account; their perceived chances of success in the courts; and their determination to take legal action. As the Names' response arrives today, several questions remain:

Is the offer a good deal for Names?

For some. But hundreds of Names are so badly hit by their losses that even if they accept the settlement they could still face bankruptcy. Names introduced to Lloyd's by the Lime Street agency (one of dozens of companies which handle Names' affairs), face average losses of more than £2m. Even though they have been offered above-average levels of compensation, no Lime Street Name stands to receive more than \$50,000.

Other Names have been offered so little that they have virtually nothing to lose by legal action. Most names on syndicates involved in long-tail liability insurance - in which claims can emerge many years after the inception of the policy - and whose legal cases were assessed as weak by the Lloyd's panel which helped devise the settlement offer, have been offered less than 10p for every £1 of loss.

But Names between these two extremes face a dilemma. 1,950 Feltrim Names, for example, who are suing their agents for losses of \$595m, stand to receive \$388m if they accept the offer, against \$310m to \$425m which they believe they could win through legal action.

The settlement can seem attractive if the uncertainties and costs of legal action are taken into account. Although the panel regards the legal case of the Feltrim Names as strong, the courts might not agree. In addition, Names have to consider the fact that - once interest and capital gains are included - money received now will be worth more by the end of 1995, the earliest date by which any group of Names can expect a court ruling.

Names must also consider a third - and potentially more important -

As Names deliver their responses to Lloyd's settlement offer, Richard Lapper answers outstanding questions

Will they take the money and run?

question. Even if their cases are successful in court, will the agents they are suing for negligence have sufficient funds to meet claims?

Most of the responsibility for meeting successful legal actions will fall on errors and omissions (E&O) insurance policies, which cover the agents against negligence awards. But these funds are limited. According to the document which details terms of the offer, E&O insurers have between \$250m and \$1,085m in cover.

Of their cover, E&O insurers have agreed to contribute about \$400m to the settlement offer, supplemented by some \$450m from the market's central fund - which meets claims when Names cannot pay - and \$25m from the agents.

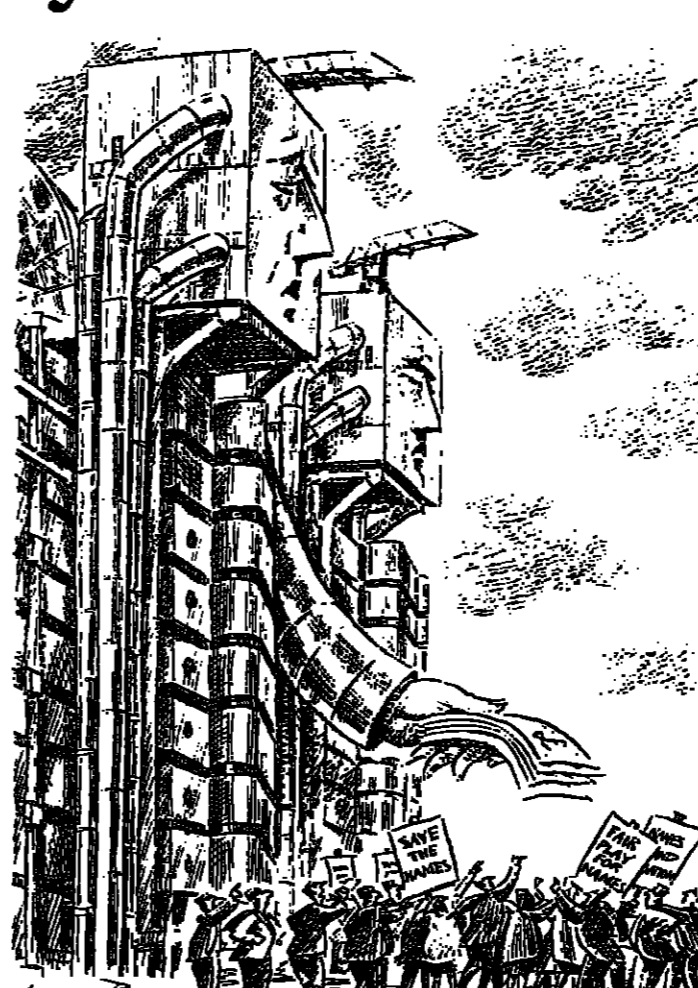
The danger for Names in rejecting the settlement is that they could find themselves embarked on a "dash for cash", with Names whose cases come to court first - such as Gooda Walker and Feltrim Names - winning the lion's share of available funds, leaving less money available to meet claims by smaller groups. Names belonging to several loss-making syndicates and the action groups organising their legal cases could find gains in one action offset by the smaller amounts obtained in others.

Will Names accept?

Over the past few weeks, a growing number of names have agreed to accept the deal but rejection still looks likely. Lloyd's is seeking a majority of at least 70 per cent of Names by value of the offer. Names whose offers amount to 70 per cent of \$900m must accept the settlement for it to take effect. In January all but one action group voted to turn down the deal.

Even when the level of compensation itself has been viewed as acceptable, Names have objected to several other features of the offer, such as the absence of protection against losses that have still to emerge on their syndicates. Names accepting the settlement have to give up legal rights in respect of the claims it covers and could find themselves legally defenceless if Lloyd's seizes their assets and property to pay off debts.

However, many action group



members did not participate in ballots on the offer, and a substantial minority of Names remains outside any action group.

Although most Names belonging to action groups are legally bound by the group's decisions in relation to the offer, some may choose to resign from membership if they want to accept the deal and the group does not.

The Association of Lloyd's Members, which represents about half the market's active membership, has warned Names of the uncertainties of legal action. Mr Robert Saunders, of Smith & Williamson, a pri-

vate bank and accountancy firm which advises about 500 Names, says he has detected a "groundswell of acceptance in the last few weeks".

What will happen if Names say no?

They will be party to a string of long-running legal actions - beginning in April when the Gooda Walker case comes to court. Feltrim and Merrett Names have court dates set for October 1994 and early 1995. Agents and their E&O insurers have said that they will fiercely contest all the actions, with appeals

likely. Nevertheless, Mr Michael Deeny, chairman of the Gooda Names action group, believes his group can obtain compensation through the courts by the end of next year. Mr Peter Middleton, chief executive of Lloyd's, predicts no awards will be made until 1998.

From the market's point of view, legal action and the attendant publicity would damage its image, especially in the US. However, following the arrival of institutional investors at Lloyd's the market is in a much stronger position than six months ago. Capacity - the amount of premiums that Lloyd's syndicates can accept - rose to \$10.9bn this year, an increase of \$1bn on 1993. Insurance rates are rising. Efficiency is increasing and profits are likely for 1993.

So is Lloyd's out of the wood?

Not yet. Lloyd's has two sets of problems to resolve. First, losses for 1991 and 1992 - which the market will report over the next 18 months - are forecast to reach \$2bn, inflicting further damage on Names and stretching the ability of many to continue trading. The losses could deplete the market's central fund to such an extent that Lloyd's may have difficulty proving its solvency later this year.

A bigger long-term problem is the potential number of cases arising from asbestosis and pollution claims in the US. Lloyd's has embarked on an ambitious plan to transfer more than \$4bn, which it holds in reserves against these claims, into a reinsurance company, NewCo, to seal off the problem from the rest of the market.

It is too early to say whether this effort will succeed. In the meantime, more and more syndicates will seek to "commute" many long-tail claims, negotiating deals with policyholders to settle at less than the full potential value of the claim.

So should you become a Name?

You may not have the opportunity. Over the next year the move towards a fully corporate Lloyd's market - in which the liabilities of investors are limited - is likely to pick up speed. Corporate investors are likely to increase their share of the market next year and some agents are considering converting the pooled investment scheme set up for Names last year into shareholding companies with limited liability.

Mr Robert Hiscov, the iconoclastic deputy chairman of Lloyd's, has questioned whether new Names, trading with old-style unlimited liability, should be permitted to join the market. "I just don't think you should have two classes of shareholder," he said. The implication was clear: Lloyd's is heading down the road of limited liability.

A reality check on healthcare reform

There was something of the doctor's reassuring bedside manner in the Clinton administration's presentation of its healthcare reform proposal. The plan would end uncertainty about health insurance by guaranteeing all Americans access to care that "could never be taken away". Yet it would not involve a large extension of government because employers would continue to finance most care. The proposed regional alliances or purchasing co-operatives would simply "manage" competition between private sector providers.

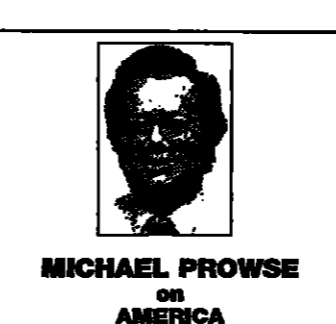
In presenting their plan this way, Bill and Hillary Clinton were bending the truth. Under their scheme, people would remain insured even if they or their employers failed to pay the required premiums. They would remain insured even if the health plan they joined went bankrupt. But there is only one entity that can provide such an absolute guarantee: government. As the Congressional Budget Office (CBO) - an independent fiscal watchdog - ruled last week, the Clinton reform is essentially a public-sector plan dressed in private clothing. "It would," said the CBO, "establish both a federal entitlement to health benefits and a system of mandatory

payments to finance those benefits that represents an exercise of sovereign power. In administering the proposed program, regional alliances, corporate alliances and state single-payer plans (if any) would operate primarily as agents of the federal government."

The CBO concluded that health alliances should be treated in the same way as Social Security, the federally-run pension scheme. The transactions of alliances would be "off-budget" - treated separately from other federal accounts. But premium payments would count as federal revenue.

The CBO's logic is hard to fault. Under the White House plan, all individuals would have to purchase insurance and all employers would have to pay 80 per cent of the average cost of health premiums. The federal government, moreover, would largely determine the level of those premiums and the nature of the benefits they purchased. A new agency, the National Health Board, would control the rate of growth of premiums; and the net financial burden on companies and individuals would depend on the level of subsidies voted by Congress.

The way certain financial flows are classified ought not to matter a great deal. But in practice the CBO



MICHAEL PROWSE
ON AMERICA

report is political dynamite because it implies the Clinton plan would result in a huge expansion of the public sector. Within a decade, alliances would be collecting more than \$500bn in premium payments from companies and individuals (as well as some \$350bn in direct federal subsidies). The Clinton scheme would thus supplant social security as the largest federal entitlement programme and dwarf such minor enterprises as the Pentagon.

If enacted, the reform would eventually raise federal spending by perhaps six to seven percentage points as a share of gross domestic product, bringing the US into line with other industrial countries. The CBO carefully avoided the dreaded "T" word; but the compulsory health

premiums would obviously represent a correspondingly large increase in the federal tax base. As a final blow, the CBO rejected the White House's optimistic claims that healthcare reform would reduce the budget deficit by \$60bn over the next five years, claiming it would, instead, raise the deficit by \$70bn. Indeed, it would act as a budgetary drain at least until 2004.

The politically damaging CBO report follows public rejection of the White House proposals by three leading business groups and a blizzard of negative TV ads financed by the private health insurance industry. The Clintons thus face a Sisyphian struggle in negotiations with congressional leaders.

Yet they still hold some cards. Who can deny the moral force in Mr Clinton's claim that a civilised country should guarantee universal health care? Under the present regime, private insurance is beyond the means of many working people. A chronic illness or an uninsurable "existing condition" can bankrupt even the affluent. No other developed country countenances such barbarism.

By insisting on a honest presentation of the Clinton plan as a public sector solution to this acute social problem, the CBO has performed a

valuable public service. But in doing so it has not demolished the plan; on the contrary it says the White House proposals will guarantee universal cover and will, eventually, reduce the growth of healthcare spending, in the process saving US industry billions of dollars.

The US now faces a painful choice. There are plenty of piecemeal ways to improve access to healthcare and reduce upward pressure on costs. Congress can pass laws to prevent insurance companies discriminating against the ill, to provide cash subsidies toward the cost of insurance for poor families, to cap the tax deductibility of premiums, and to facilitate the creation of private purchasing co-operatives for small business. This, essentially, is the approach favoured by Republicans and conservative Democrats.

But it is no use pretending that such incremental changes can provide the absolute guarantee of health cover sought by Mr Clinton and long delivered in Europe, Japan and Canada. Government alone can provide this guarantee and only the American people can decide whether the goal is important enough to warrant an historic extension of the public sector's role in society.

OBSERVER



resignation as a director of Havas, protesting against its plans to re-shuffle its stake in Canal-Plus. The resignation might seem a little rash; the deal in question will increase rather than diminish Havas's influence over Canal-Plus. But Rousselet knows he holds a few trump cards.

Not only has he a large personal stake in Canal-Plus; he also enjoys some of the very best political connections, nurtured through years of strolling around the immaculate greens of the posh

Saint-Cloud golf club. There his regular partner is none other than President Francois Mitterrand.

Cogito ergo puff

It's not often that Virginia Bottomley, Britain's health minister, is juxtaposed with Aristotle; but we live in unusual times.

The Advertising Association has published a punchy pamphlet - *Ads and Puffs* - on the confused debate over the relationship between advertising and tobacco consumption. Rallied in support of continued cigarette advertising are Bottomley: "We should not ban the advertising of something it is legal to buy" - and adjacent, Aristotle: "The word 'dog' never bit anyone".

The possibilities are legion. Inventive copywriters could, for instance, immediately turn to Jean-Paul Sartre's weighty treatise *Being and Nothingness* - poking it alongside the activities of any one of a number of politicians.

Et tu, Hewson?

Long faces from Australia's political hacks. Prime minister Paul Keating says his appearances in the daily parliamentary question

time are to be pared back to Mondays and Thursdays. A duty roster of ministers will function on other days.

It's rather like having Hamlet without the prince. Few politicians pack a verbal punch as well as Keating, and some of his pithier taunts against the opposition - "scumbags" and "perfidious gigolos" - are a couple of recent examples - make great copy.

But apparently Keating craves a more statesman-like image. "No man in our history has done more to downgrade, abuse, sabotage, undermine, subvert and threaten the processes and procedures of this parliament," declared John Hewson, the opposition leader, of Keating in the wake of his decision to seek gravitas. With enemies like that who needs gravitas?

Old sloths

So much for the notion that we live in an era of "new man" who gladly washes the dishes, does the vacuuming and changes baby's nappy. Now we are about to be told, by Mintel's market researchers, that more than 50 per cent of British males admit to being "sloths". Only 4 per cent of UK men "always" do the washing; on the other hand 41 per cent take care to polish the car. Typical.

A Syron voice at the Amex

Richard Syron has his work cut out at the American Stock Exchange, where he took over as head at the end of last week. A distant third to the New York Stock Exchange and Nasdaq markets, the Amex looks increasingly superfluous in a world of automated trading. Syron, 50, admits the Amex has had an unhappy few years: "I don't think we've done as well as we need to do."

The former head of the Federal Reserve in Boston has no detailed plans on how to reverse matters, only a belief that the sort of auction market run by the Amex serves investors better than the dealer markets which are increasingly prominent in the US. Unfortunately, the Securities and Exchange Commission has steadfastly refused to favour auction markets.

In five years at the Boston Fed Syron built a solid reputation as a tough, astute operator. Fixing the Amex will need all his energy and political skills - and then some.

Pylon the agony

Top bosses of the 12 regional electricity companies are now

looking at profits of more than \$10m on executive share options they received three years ago. Nice work if you can get it.

But they claim the customer has also done well out of privatisation, thanks to much improved services. That's open to question in the case of London Electricity, where chairman John Wilson is looking at a paper profit of over \$500,000.

Callers to London Electricity's main switchboard yesterday heard an automatic operator intone: "Our emergency service is now in operation." Holding on for further details, the operator then suggested calling another number because "there is a telephone problem". The new number referred the customer on to two further numbers. Finally an answering machine said emergency service telephones were busy: "please call back in 15 minutes".

Have at you

Few company chairmen are brave enough to tell their biggest and most powerful shareholder exactly what they think of them.

But André Rousselet, the septuagenarian chairman of Canal-Plus, the French television group, joined the ranks of the courageous - or foolhardy - when last week he handed in his

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Viacom clings on as Paramount close looms

By Richard Waters in New York

Viacom, the US cable television group, remains the favourite on Wall Street to win the \$10bn battle for control of Paramount Communications which formally comes to a close tonight.

However, with rival QVC continuing to hint that it might improve the terms of its offer, it was unclear over the weekend whether Viacom would

be able to muster the 50.1 per cent needed to declare outright victory.

Viacom's B shares dropped by 4 per cent in New York on Friday, signalling a belief that it will come out on top in the five-month battle. Investors fear that whichever company is the victor will be weighed down financially by the takeover.

The price of Viacom's B shares fell \$14 to \$31.14 in a trading session shortened by the bad weather. The

shares have nearly halved in value since last September, when Mr Sumner Redstone's cable TV group first bid for Paramount.

While both offers for Paramount are worth around \$10bn, Viacom has won Wall Street's support with a higher cash component, along with guarantees for Paramount shareholders should its own share price fall in the year after a takeover.

Formal bidding procedures laid

down by Paramount, and agreed to by Viacom and QVC, prevent either side changing the terms of its offer before midnight tonight. However, QVC has suggested to investors that, if neither side emerges as the outright winner, it might reinforce its bid. This would probably involve arrangements designed to reassure Paramount shareholders about QVC's post-takeover share price.

Mr Martin Lipton, one of the US's

most prominent takeover lawyers and an adviser to QVC, kept the hint of a revised bid alive last Friday. In a letter to Paramount, he reiterated that "there is no prohibition against QVC revising its bid" if neither side wins by tonight.

Should the outcome remain undecided, the battle could develop into a free-for-all, with both sides changing the terms of their bids. Paramount, which has backed Viacom, said at

the end of last week that it was still trying to persuade both bidders to agree to new procedures that would take effect after tonight. QVC, however, has refused to discuss any revised arrangements.

At five months and two days, the Paramount bidding war is just two days short of the five months, four days takeover of computer company NCR in 1991, the longest takeover fight in recent Wall Street history.

Eyes on Japan as markets shiver

Global bond and equity markets are searing up for another nervous week, with US-Japanese trade frictions provoking the latest jitters.

Following the failure of trade talks in Washington on Friday, many fear that the US will try to push the Japanese yen higher as a way to close the trade gap.

"Tokyo is the place to watch," said Mr Paul Chertkow, head of global currency research at UBS. A higher yen would hamper recovery and could have a severe impact on the Tokyo stock market, which could drag other markets lower, he added.

European markets will once again be in the thrall of the Bundesbank, whose council meets on Thursday. While improving monetary fundamentals could support a cut in German interest rates, the central bank may be reluctant to ease policy ahead of a wage agreement in the engineering sector. Unchanged German rates could put renewed pressure on other European markets, especially in France.

Faced with a slew of economic data, the UK markets are in for a nervous week, although the worst may be over after last week's sell-off. "The fundamentals look supportive, and I would look to buy the markets on dips," said Mr Chertkow.

In contrast, Mr Nick Knight of Nomura, until recently a prominent bull, caused a stir at the end of last week. While maintaining his year-end FT-SE 100 forecast at 4,000, he said the index could fall as low as 3,200 during the year.

UK fund managers' views, Page 14

Tibigardens hopes to avoid and exploit EuroDisneyland's difficulties, writes Tom Burns

As Euro Disney faces meetings with creditor banks, a rival leisure group is putting the final financial touches to a Pta41bn (\$290m) project. It plans to open the biggest theme park in Europe after EuroDisneyland, outside Salon, near Tarragona, on Spain's Mediterranean coast.

Grand Peninsula, which owns the theme park site, called Tibigardens, was created in 1988 by Busch Entertainment Corporation, the leisure arm of Amnheuser Busch, the US beer and food giant which also operates US theme parks.

Since then it has been joined by two large Spanish shareholders. The British Tussauds group - part of Pearson, owner of the Financial Times - is negotiating to become the largest shareholder as well as the park's manager.

Riding the theme park rollercoaster

A final round of meetings began last week between Grand Peninsula and ICO, Spain's official credit institute, to obtain a Pta15bn borrowing facility. Afterwards, Grand Tibigardens, the Barcelona holding group which has 70 per cent of Grand Peninsula's equity, will sell 30 per cent of the equity to Tussauds, place

20 per cent with a Spanish investor and retain 20 per cent. The theme park's other shareholders are Busch Entertainment, with a 20 per cent stake, and Fecsa, a Barcelona-based electrical utility.

Tibigardens is being monitored with interest by leisure industry analysts. Ms Rebecca Wintington-Ingram, of Morgan Stanley in London, said: "Just because Euro Disney has got problems, it doesn't mean that major theme parks in Europe are bound to fail."

Comparisons between Euro Disney and Tibigardens are "difficult because they are on a different scale," says Mr Ray Barret, a Tussauds director. The Paris park attracts 11m visitors a year, while Tibigardens expects 2.7 million in its first year. Even Tibigardens'

highest ambitions are well short of Euro Disney's. It hopes attendance will rise to 3.5m a year, and eventually 5m after expansion.

But the chief difference between the two parks should be financial. Mr Ole Bredberg, managing partner of Axel group, the Madrid investment bank which has advised Grand Peninsula, says Tibigardens will be profitable from the beginning. This forecast owes a great deal to what has been learnt from the Paris venture's problems. Mr Bredberg explained: "We have put together the profitable end of Euro Disney."

The main differences between the two are:

- Tibigardens is just a theme park. It has avoided high fixed costs by shelving plans to



build a large beach side hotel and 2,000 living units. Mr Barret said: "Euro Disney got its theme park right and what went wrong was its inability to

fill its [six] hotels."

Tibigardens is in a resort area, including Benidorm, where it does not need to build hotels. There are some 800,000

hotel beds within 300km. The park is aimed at holidaymakers who will visit the attractions - ranging from Mexican villages to Polynesian islands - for a day trip.

- EuroDisneyland is open all year, rain or shine. Tibigardens will only open for 156 days between April and October and the climate is warmer and sunnier than Paris. During this period more than 15m foreign tourists are within striking distance of the park.
- The financial structure differs markedly from Euro Disney's. According to the Axel group's valuations, total fees in royalties and management payable by Euro Disney to Walt Disney stood at \$1.5 per cent of operating income when the Paris park opened in 1992 and are supposed to rise.
- Fees paid to Busch Entertainment for the design of the park and to Tussauds for its management will fall from 12.4 per cent of operating income when the park opens next year to 10.4 per cent in 1998 and will decrease further.

With the financing in place, the park should open in April next year, that is as long as the construction of the magic mountain proceeds as planned.

BAe shareholders weigh up power of the old guard

British Aerospace's shareholders might be forgiven for feeling slightly restive this morning. The weekend press told them of the ousting of their chairman, Mr John Cahill, and the appointment of a part-time non-executive chairman, Mr Bob Bauman.

Mr Cahill's original task was to impose controls on a group generally thought of as a financial and organisational shambles. Now that the BAE culture has rejected him, the old guard are by implication back in control. Given the hash they made of BAE in the old days, is that

something shareholders should be happy about?

The question is one which BAE might perhaps argue under two headings. First, it might claim, the old guard is no more. The group's nadir came in September 1991, with its \$432m rescue rights issue. The executive members of the board who sanctioned that issue - and who were responsible for the plight which led to it - have mostly left or been removed. Professor Sir Roland Smith, chairman, has gone; so

have the finance, legal, personnel and property directors.

True enough. But the chief executive Mr Dick Evans is still there, as is deputy chairman Mr Sydney Gillibrand - a lifelong aircraft man, steeped in BAE's defence and aerospace businesses. So are the operating chiefs of the all-important defence business, who allegedly did not take kindly to Mr Cahill's attempts to wean them from their old cost-plus ways.

But, BAE might argue, the new chairman Mr Bob Bauman

is a formidable figure. When, as newly arrived chairman of Bechtel, he found himself at odds with his chief executive Mr John Robb - now chief executive of Wellcome - it was Mr Robb who left. Mr Bauman then piloted Bechtel's merger with SmithKline. He is now approaching retirement with his reputation intact.

Unlike Mr Cahill, he genuinely appears to know about the defence and aerospace business, having chaired the US group Avco from 1981 until

its takeover by Textron four years later. Although working only one or two days a week, he will form a strong focus for any shareholder dissent.

He also has some strong non-executive directors, such as Sir Graham Day, Sir James Blyth of Boots and Mr Ronnie Hamel of ICI. But they were all there at the time of the rights issue debacle. On the face of it this is genuinely puzzling. Perhaps the twilight world of classified defence work is hard for outsiders to get a grip on. But

Sir James, for instance, was at one time a senior official in the Ministry of Defence.

Perhaps the combination of Mr Bauman and Mr Evans will finally produce the managerial chemistry which BAE has been groping for. Given its huge importance as a UK manufacturer and employer, one certainly hopes so. If not, roll on the much-touted merger with GEC. If Lord Weinstock, now 69, could knock BAE into shape, he would not only round off his career but do the nation a genuine service.

Editorial Comment, Page 11

This week: Company news

MACLEAN HUNTER/ROGERS Board unlikely to approve C\$2.8bn takeover bid

The board of Maclean Hunter, the Canadian publishing and broadcast group, will meet this week to consider its response to a takeover bid worth at least C\$2.8bn (US\$2.1bn) from Rogers Communications of Toronto.

Rogers, which is Canada's biggest cable TV distributor, ended two weeks of speculation last Friday by offering C\$17 per share, plus a portion of the proceeds from the sale of MH's US cable TV franchises, if they realise more than C\$1.5bn after expenses. Rogers has already bought an 8.3 per cent stake in MH on the open market.

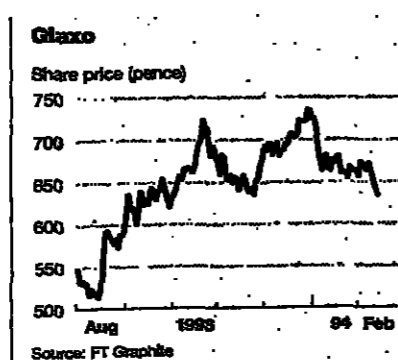
Mr Robert Furse, Maclean Hunter's chief financial officer, said the company's advisers met over the weekend to consider the Rogers bid and other meetings would be necessary to formulate a response.

MH is unlikely to give its unqualified approval. Expectations that the Rogers offer is not the last word were reflected in a 38 per cent rise in MH's share price last Friday to C\$17.38. The alternatives being explored by MH include alliances with other companies, a recapitalisation and the sale of its cable TV business.

Among the uncertainties facing Rogers is whether the MH board will allow the bid. MH's shareholder rights plan makes a takeover all but impossible unless it is permitted by the board.

Mr Ted Rogers, Rogers' entrepreneurial founder and chief executive, insisted that the bid would not be raised. "If we were not successful, someone would have to come in with an ego, and overpay," Rogers has arranged financing of C\$2.7bn.

Mr Rogers claims the merger is needed to create a Canadian multi-media group powerful enough to stand up to big foreign predators, as well as the domestic telephone industry. "If we're all small and timid in this country, we'll be overwhelmed," he said.



GLAXO Yield becomes the main attraction

Glaxo's half-year figures on Thursday kick off the UK's pharmaceuticals sector results season. With SmithKline Beecham the following week, and Wellcome and Zeneca in March, analysts will be assessing fortunes in an unfamiliar light: that of yield.

Until the early 1990s, the drugs sector was the darling of the capital growth investors. But the threat of cost-cutting in government healthcare budgets has stopped that. As world interest rates began to slide, the yield on drug sector stocks turned from virtually irrelevant to the *raison d'être* of investment.

In Glaxo's case, this means that all eyes will turn first to the proposed interim dividend. Forecasts range from 8p to well over 9p, compared with 7p. Even the smaller rise would be a powerful reminder that a yield of almost 5 per cent from a cash-generative world leader compares favourably with an FT-SE 100 yielding less than 5.5 per cent.

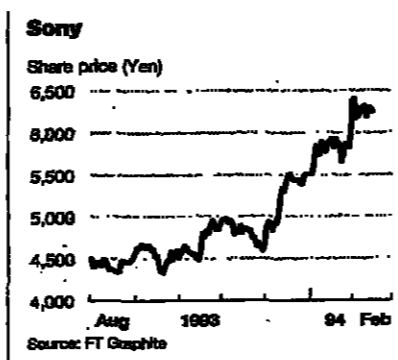
With pre-tax profits of perhaps £970m, against £819m, the results will reflect lower interest income and tighter profit margins. Sales growth of the ulcer treatment Zantac, the world's best-selling drug, is likely to have slowed. But the performance may still better that of SmithKline Beecham's rival drug Tagamet, which loses its US patent in May. Both have lost ground to Losec, from Astra of Sweden.

OTHER COMPANIES Sony helped by weaker yen

Two important Japanese companies report next week. Sony, the big consumer electronics group, unveils third quarter results on Thursday. The effects of the weaker yen plus restructuring efforts are expected to benefit the company's performance from KPMG Post Marwick in Paris. The banks have been digesting KPMG's draft report for the past 10 days. Once they have the full version, talks can start in earnest over Euro Disney's emergency restructuring.

■ **Elf Aquitaine:** The results of the public offer for shares in the French oil group are due to be announced this evening or tomorrow morning. Analysts expect the issue, the largest so far in the government's ambitious privatisation programme, to be oversubscribed, and shares may be clawed back from the tranche allocated to institutional investors. The price for institutions, also due to be announced at the beginning of this week, should be above the FF7385 paid by individuals.

■ **Hanson:** The Anglo-American conglomerate reports first-quarter results on Tuesday. A wide range of forecasts reflects many uncertainties: the cost of the US coal strike; the



severity of the negative swing on interest charges; the contribution from Quantum Chemical, acquired at the end of the last financial year; and the effect of exchange rates. Hopes are for a modest underlying rise from last time's £216m, excluding £20m of disposal profits. No increase in the quarterly dividend is expected.

■ **Kleinwort Benson:** The merchant bank reports 1993 profits on Thursday. Last year was highly profitable for banks and securities houses as the stock market rose and corporate activity was high. Analysts are expecting a near doubling of profits to about £90m from a £10m profit on the sale of Sharpe Pixley, the bullion business, to Deutsche Bank.

■ **Wicks:** The DIY and timber retailer is expected on Thursday to announce full-year profits more than doubled to £17m-£18m. Analysts are keen to hear whether Wicks is benefiting from the upturn in UK housing, but are concerned about the impact of recession in continental Europe. Wicks introduced deep price cuts on 1,000 of its 3,500 catalogue products.

Companies in this issue

Air New Zealand	15	Euro Disney	13	Paramount	13
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BAe	13	Glaxo	13	QVC	13
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Clinical Computing	14	Norweb	13	Viacom	13
Dominick Hunter	14	Pacific Dunlop	15	Wellington Holdings	14

A LEADER IN ITALIAN CAPITAL MARKETS

European Investment Bank Lire 300 billion 10.50% Notes due 1998 Bookrunner	European Investment Bank Lire 1,000 billion 10.19% Notes due 1995 Joint Bookrunner	European Investment Bank Lire 500 billion Floating Rate Notes due 1997 Joint Bookrunner	CREDIT LOCAL FRANCE Lire 150 billion Floating Rate Notes due 1996 Bookrunner
SEK AB Svensk Exportkredit Lire 150 billion 12% Notes due 1998 Bookrunner	SEK AB Svensk Exportkredit Lire 150 billion 10.75% Notes due 2000 Bookrunner	General Electric Capital Corporation Lire 300 billion 9.54% Notes due 2003 Bookrunner	Credito Italiano US \$200 million Subordinated Collateral Floating Rate Depository Receipts due 2003 Bookrunner
Credito Italiano US \$250 million Subordinated Collateral Floating Rate Depository Receipts due 2003 Joint Bookrunner	Credito Italiano Can \$150 million Subordinated Collateral Floating Rate Depository Receipts due 2003 Joint Bookrunner	Repubblica di Italia Over Lire 10,000 billion of Government Bonds during Primary Market Auction Primary Dealer	Eni S.p.A. Domestic Placement of 1,000 billion Floating Rate Notes due 2007 Joint Bookrunner
ARGENTARIA Argentina Global Offering of 31,362,450 Shares Co-manager of the Confidential Europe tranche	Credito Italiano Global Offering of \$70,000,000 of US Dollars of Credito Italiano Global Co-ordinator Lead Manager of the Italian Public Offering	Credito Italiano Global Offering of \$70,000,000 of US Dollars of Credito Italiano Global Co-ordinator Lead Manager of the Italian Institutional Offering	ARGENTARIA Argentina Global Offering of 24,294,455 Shares Co-manager of the Confidential Europe tranche

During 1993 Credito Italiano Lead, Co-lead and Co-managed a total of 163 Eurobond issues denominated in 10 different currencies, totalling in excess of US \$40 billion and 14 international equity offerings totalling around US \$7 billion.

CAPITAL MARKETS DEPARTMENT
Head Office, Piazza Cordusio 2, 20123 Milan

Credito Italiano

Dominick Hunter comes to market with £60m tag

The flotation, expected in mid-March, will be sponsored by Granville and Company, with NatWest Wood Mackenzie acting as brokers.

Listing sought by Wellington

The flotation, expected in mid-March, will be sponsored by Granville and Company, with NatWest Wood Mackenzie acting as brokers.

Retail expansion for ICL

Technology expects to generate about £1.5m in revenues per store in the first year.

Simon access production moves to Gloucester

Simon is in the middle of a restructuring programme to cut debt.

[illegible]


Plans are submitted for every highway in each biennial budget period. Plans are submitted for the entire highway system, including the Federal-aid highway system, the State highway system, and the local highway system. The plans are submitted to the Federal Highway Administration, the State Department of Transportation, and the local highway department. The plans are submitted to the Federal Highway Administration, the State Department of Transportation, and the local highway department. The plans are submitted to the Federal Highway Administration, the State Department of Transportation, and the local highway department.

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Fax: 071-439 4366
e-mail: anne@chemanalysis.co.uk



LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 97/02788/06)

CAPITALISATION SHARE AWARD AND RIGHT OF ELECTION TO RECEIVE A FINAL CASH DIVIDEND IN LIEU THEREOF

The directors have resolved to award capitalisation shares to ordinary shareholders of Liberty Life who are registered in the books of the company at the close of business on Friday, 25 February 1994 in lieu of a final cash dividend in the ratio of 1,15 new fully paid ordinary shares of 10 cents each in Liberty Life for every 100 ordinary shares held ("the capitalisation shares"). Shareholders are entitled and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash dividend in respect of the year ended 31 December 1993 of 84 cents per ordinary share ("the election").

The cash interim and final dividend equivalent announced in respect of the year ended 31 December 1993 amounted in aggregate to 164 cents (1992: 132 cents) per ordinary share, an increase of 24,2% over the previous year.

To the extent that capitalisation shares are issued in the above circumstances, this should minimise Liberty Life's liability in respect of Secondary Tax on Companies. Non-resident shareholders making the election to receive the final cash dividend will be subject to non-resident shareholders' tax of 15%. However, this will not apply in the case of non-resident shareholders receiving the capitalisation shares.

This dividend policy and capitalisation issue will not necessarily be continued in the future.

The new ordinary Liberty Life shares which will be issued pursuant to the capitalisation share award will be issued as fully paid up by way of a capitalisation of part of Liberty Life's distributable reserves and/or share premium. Subject to the approval of The Johannesburg Stock Exchange and the London Stock Exchange, a listing for the new Liberty Life ordinary shares to be issued pursuant to the capitalisation share award will commence on Friday, 8 April 1994. Documentation dealing with the capitalisation share award and a final cash dividend election will be posted to shareholders on or about Thursday, 3 March 1994. In order to be valid, completed election forms will need to be received by the company's South African or United Kingdom transfer secretaries, as the case may be, by no later than Friday, 25 March 1994. Should such election not be timely received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders concerned.

The award of capitalisation shares will only be made to ordinary shareholders of Liberty Life on the basis of whole shares. All fractions of new capitalisation shares will be aggregated and sold on The Johannesburg Stock Exchange for the benefit of all relevant shareholders.

It is expected that share certificates in respect of the new Liberty Life ordinary shares and, if applicable, cheques in respect of the final cash dividend and fractions will be posted to shareholders on or about Friday, 8 April 1994.


The full preliminary results for the 1993 financial year will be published on 10 March 1994.

On behalf of the board

D Gordon
Chairman

Johannesburg
10 February 1994

U.S. \$100,000,000




**Credit Commercial
de France**

**Subordinated Floating
Rate Notes Due 2005**

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 12, 1994 to August 12, 1994 the Notes will bear an interest rate of 5 % per annum. The interest payment (able on the relevant interest payment date, August 12, 1994 will be U.S. \$25.14 per U.S. \$100,000 Note, U.S. \$261.39 per U.S. \$100,000 Note, U.S. \$2,513.99 per U.S. \$100,000 Note.

By: The Chase Manhattan Bank, N.A.
London, England

February 14, 1994




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The Financial Times
planned to publish
a Survey on
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Management**
on Monday, March 22.

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*Source: The IFAI Ltd., Research Services Ltd.
ST. SEVERIN

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incorporated with limited liability in England

**US\$400,000,000 Undated Primary Capital
Floating Rate Notes**

In accordance with the provisions of the Notes,
notice is hereby given that for the interest
Determination period from 14th February 1994
to 14th March 1994 the Notes will carry interest at
the rate of 3.875 per cent per annum.

Interest accrued to 14th March 1994 and payable
on 12th July 1994 will amount to US\$30.14
per US\$10,000 Note and US\$301.39 per US\$100,000
Note.

West Merchant Bank Limited
Agent Bank

THE WEEK AHEAD

UK COMPANIES

TODAY
COMPANY MEETINGS:
Aukett Associates, 13
Chelsea Embankment, S.W.
12.00

BOARD MEETINGS:
Baring Tribune Inv. Tst.
Olim Convertible Tst.
Second Market Inv. Co.
Interim:
Castle Cairn Inv. Tst.
English & Caledonia Inv.
Foster's Brewing Group
Mid Wynd Int'l. Inv. Tst.

ROXSPUR
Second Alliance Tst.
Staneco
Thymorton
Verity
Westminster Health Care

TOMORROW
COMPANY MEETINGS:
Aberforth Smaller Co's Tst.,
14 Melville Street, Edinburgh,
12.15
Baggeridge Brick,
Birmingham Chamber of
Industry and Commerce, 75
Harborne Rd, Birm'ham, 12.00

Daily Mail & General Tst.,
Chapstow Suite, Kensington
Close Hotel, S.W. 10.30
Hardys & Hanson's, Kimberley
Brewery, Nottingham, 11.30
Kleeneze Hldgs., Innovations
House, 211 Lower Richmond
Road, Richmond, Surrey,
10.00
Titon Hldgs., International
House, Peartree Road,
Stewage, Colchester, Essex,
10.00
BOARD MEETINGS:
Burlington Group

County Smaller Co's Tst.
St. Modwen Properties
TR Pacific Inv. Tst.
Interim:
Armitage Brothers
WEDNESDAY
FEBRUARY 16
COMPANY MEETINGS:
Control Techniques, Ty
Rhinoc Ltd, Lichfield, Staffs.,
12.00
M & W, Ibis Hotel, 1 West
Quay Road, Southampton,
11.00

BOARD MEETINGS:
Finals:
Leslie Wise Group
Trancharwood
Yeoman Investment Tst.
Interim:
Benson Group
THURSDAY
FEBRUARY 17
COMPANY MEETINGS:
Greenwich Resources,
Colwell Park Hotel, Colwell,
Nr. Malvern, Worcestershire,
12.00
Tomlinsons, The Charity,

St. Mary's Church,
Kiddminster, Worcestershire,
12.00
Westland Grp., New
Cornwall Rooms, Great
Queen Street, W.C.
2.30
BOARD MEETINGS:
Finals:
Anglo & Overseas Tst.
Kleinwort Benson Group
River & Mercantile Tst.
Throgmorton Tst.
Vektors Corp.
Wickes
Interim:

Glaxo Hldgs.
Int'l. Comm. & Data
FRIDAY
FEBRUARY 18
COMPANY MEETINGS:
Bankers Investment Tst.,
Stationers' Hall, Ave Maria
Lane, E.C. 12.30
David Lloyd Leisure, 25
Cophall Avenue, E.C.
12.00
Greenalls Grp., The Grand
Hotel, Brighton, East Sussex,
12.00
Polar, Cherrycourt Way,

Leighton Buzzard, Beds.,
12.00
BOARD MEETINGS:
Finals:
Inoco
Company meetings are annual
general meetings unless
otherwise stated.
Please note: Reports and
accounts are not normally
available until approximately
six weeks after the board
meeting to approve the
preliminary results.

PAINTS & THE ENVIRONMENT: AN INDUSTRY FIGHTS BACK

The Financial Times plans to publish this survey on
WEDNESDAY, 16th FEBRUARY, 1994
It will be published on our print
edition in Tokyo, New York, Frankfurt,
London and elsewhere. It will be seen by
Chief Executives and Government
Officials in 160 countries worldwide.

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FINANCIAL TIMES
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Manchester M2 2LP.
FT SURVEYS

DIVIDEND & INTEREST PAYMENTS

TODAY
API 4.5p
Bull (A.H.) 1p
Burlington 1.5p
Britannia Bldg. Soc. FRN 1995
£150.34
British Gas 12.94% 1995 £127.50
British Telecommunications 6.55p
Carlton Communications 7.75% C.V.
Sub. Bds. 2007 £187.50
Gibson Lyons 2.2p
Guaranteed Export Finance Corp.
11.94% Qtd. 1994 £1.125
Halmia 0.933p
Mazda Motor Corp. FRN 2000
¥71.250
Mitsubishi Corp. 10.94% Nts. 1995
\$531.25
Morland & Co. 6.95p
National Westminster Bank Var. Rate
Cpl. Nts. 2008 \$108.87
Norcross 3.5p
Polar 2.85p

Quality Care Homes 3p
Yarrow Electric Co. FRN 1997
¥220.893
Shaw (Arthur) & Co. 0.5p
SKOPANE-Financial Savings Bank
Association Ser. B Unrated Sub.
Var. Rate Nts. \$110.97
Sunamco Bank Int'l. Finance Gld.
FRN 2000 \$27.92
Tongat-Huett R0.25
UMECO 0.75p
Veiga 1.04p
TOMORROW
Abbott Laboratories \$0.17
Anglo American Inv. Tst. 6% Gross
Cpl. Nts. 2008
Archimedes Inv. Tst. 17p
BTP 3.45p
Chubb Security 2p
Chubb Security 2p
Colgate-Palmolive \$0.36
Falpaud Trading 1.85p
Finland (Rep. of) 11.94% 2009

£287.50
Fishguard & Rosslare Railways &
Harbours 3.16% Gtd. Pl. 1.225p
Gardiner 0.5p
Horseshoe Financial & Money Market
Fd. Prg. Rd. Pl. (Aust-Eurobond)
A80.7782
Do. (Continental Euro Eurobond)
DM1.5365
Do. (Continental Euro Money Market)
DM1.5365
Do. (Managed) \$0.207
Do. (North American Eurobond Fd.)
\$0.764
Do. (Eurobond) 20.2p
Do. (Shilling Majority Money Market)
12.46p
Do. (Shilling Money Market) 26.18p
Do. (Money Market) \$0.1296
Do. (Managed) \$0.207
Do. (Yan Eurobond) Y53.17
Marsh & McLennan Cos. \$0.675
M.V. Hldgs. 1p

Norak Hydro 8.94% 1995 FF675
NOVA Corp. of Canada C\$0.06
Protein 1.05p
Scottish Metropolitan Property
Investment Trust Wtd. 2016 £5.125
100.94% Int. Wtd. 2016 £5.125
Seas 7.94% Un. Ln. 1992/97
£3.625
Sherrill 2.5p
Tate & Lyle ADR \$0.652
Tishy Int'l. 5% Cpl. Pl. 1.75p
TSB Gr. Fd. Prg. Rd. Pl. 2p
Unicredit 1.47% Sub. Gtd. Nts.
2000 A\$71.875
Wellman 0.3p
WEDNESDAY FEBRUARY 16
Aldwoods ADR \$0.304
Baggebridge Brick 2.375p
Chubb Security 2p
Chubb Security 2p
Do. 5% Cpl. 2nd Pl. 3.5p
National Westminster Bank Primary
Cap. FRN Series B \$188.47

State Bank of New South Wales
Extendible FRN \$188.47
United Kingdom 2.1% Index-Linked
Treasury 2015 £1.5750
THURSDAY FEBRUARY 17
Alpha Television Bt.
Carlton & Foreign Securities
C\$7.20
Drive Securities Class A FRN 1995
£153.12
Do. Maximine FRN 1998
£173.29
National & Provincial Bldg. Soc.
FRN 1999 £144.58
Do. 5% Cpl. 2nd Pl. 3.5p
Do. 5% Cpl. 2nd Pl. 3.5p
Telefonica de Espana Ph25
Vaux 6.25p

FRIDAY FEBRUARY 18
Airtours 8p
Allied Colloids 1p
Anglian 4.1p
Bass ADR \$0.535
Bradford & Bingley Bldg. Soc.
Collared FRN 2005 £33.50
Britannia Bldg. Soc. FRN 1995
£142.73
Burnside Invs. 1.25p
Chase Manhattan FRN 2000 \$127.78
Credit Foncier de France 10.94%
Gtd. Serial Ln. 2011,2012,2013,2014
£252.60
Flaming Int'l. High Income Inv. Tst.
1p
Forte 10% Int'l. Mkt. Bds. 2018 25
Goode Durant 2.2p
Group Development Capital Tst.
0.53p
Leeds Permanent Bldg. Soc.
Collared FRN 2003 £35.29
Lloyds Bank Series B Variable Rate

Sub. Notes 1999 £154.07
Midland Bank Sub. FRN 2001
£71.50
Mitsubishi Materials Dual Basis Nts.
1999 Y86.542
National Westminster Bank Unrated
Var. Rate Nts. £162.26
Pitt-Rivers 1.5p
Titon 2.9p
VHE 1.1p
Wells Fargo & Co. FRN 1998 \$91.04
Woodhouse Bldg. Soc. FRN 1994
£143.36
Yoshida Kogyo K.K. 3.9% Nts. 1999
¥100.750
SATURDAY FEBRUARY 19
Caterpillar \$0.15
Smith World Corp 2p
SUNDAY FEBRUARY 20
Collared FRN 2003 £35.29
Lloyds Bank Series B Variable Rate

CONFERENCES & EXHIBITIONS

FEBRUARY - DECEMBER
Benefiting from Software
A two-day workshop for users and IT
professionals on how to adopt a solutions
oriented approach to evaluating and
selecting software and computer solutions.
Designed to reduce risk, achieve benefits,
optimise selection and purchasing,
provide a consistent and manageable
process. Full case study.
Contact: Barco Associates
Tel: 0565 75714 Fax: 0565 60950
ON-SITE IN-HOUSE

FEBRUARY 15 - MARCH 10
Getting to Grips With Goode
CBI/Goode Ross series of conferences on
Goode Committee recommendations
provides measured analysis to assist
development of company pension
policies. Locations: Heathrow, Epping,
Leeds, Belfast, Glasgow, Manchester,
Bristol, Birmingham.
Contact: Georgina Kingaby,
CBI Conferences
Tel: 071 579 7400 Fax: 071 497 3546
VARIOUS

FEBRUARY 22/23
Practical Dealing course
- Money Market
Training in traditional Cash market
dealing - risk identification and
evaluation, product pricing, position
management - with opportunities to test
theories learnt in dealing simulation and
other practical exercises. For Corporate
treasury personnel, bank dealers and
support staff. £480 + VAT.
Lynwood David International Ltd.
Tel: 0959 565021 Fax: 0959 565821
LONDON

FEBRUARY 22
Practical Training Skills for
Managers
An information packed one-day course for
managers, professionals and executives.
Learn how to design and deliver business
training and instruction quickly and
effectively, and get more out of people as
a result.
Contact: Roberts-Phelps Training and
Consultancy Ltd.
Tel: 0908 231492 Fax: 0908 231492
(Call for Regional Dates and Venues)
LONDON

FEBRUARY 23
Writing a Family Constitution
Key to the success of any family business
is the separation of the family from the
business. This can be achieved by
drawing up a family constitution which
sets out basic rules for the involvement of
the family in the business. This evening
seminar provides a comprehensive family
constitution checklist.
Contact: Diane Deacon, Centre for Family
Business
Tel: 071 486 5285
BIRMINGHAM

FEBRUARY 24
Realising Value in the
Unquoted Company
Knowing the accurate value of a company
is fundamental for good business
planning, development and strategy. The
purpose of this conference is to explain
the methods of valuation, both for
commercial and fiscal purposes, and how
to realise the value over its life cycle.
Contact: Julia Lee, IBC Legal Studies
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

FEBRUARY 24
World Class International
Workshops:
PROCESS RE-ENGINEERING AND
WORKFLOW AUTOMATION
The organisation that aspires to World
Class performance will deliver its
products and services through a series of
value-adding processes. This workshop
looks at how to make the best use of
leading workflow automation product,
Staffware, to radically improve process
effectiveness (Ref: WCA4A)
Contact: Vicki Williams
World Class International Ltd.
Tel: 0775 268133 Fax: 0775 268160
HAMPSHIRE

FEBRUARY 24
EIS & Competitor Intelligence:
Developing Competitor and
Business Intelligence Systems
for Managers
Conference explores how EIS and related
systems can improve the quality, scope and
relevance of external intelligence provided
to managers. It discusses the interworking
roles of the various contributors and
subscribers in this process.
Contact: Business Intelligence
Tel: 081-544 1030 Fax: 081-544 9020
LONDON

FEBRUARY 24
Contracting Opportunities in the
NHS: The Impact of the Internal
Market and EC procurement
rules on contract awards.
Effect on contract awards of internal market
reforms, NHS supplies contracting and EC
procurement rules. Speakers from NHS,
Industry and University.
Contact: The Contract and Procurement
Research Unit, The University of Birmingham,
Edgbaston, Birmingham, B15 2TT.
Tel: 021 414 3221 Fax: 021 414 3217
BIRMINGHAM

FEBRUARY 24
Life Cycle of a Family Business
Family businesses start with an
entrepreneurial idea but over time
stagnation and decline may occur. This
evening seminar demonstrates how to
analyse your business to help businesses
establish where they are in the life cycle and what
steps to take to avoid stagnation of the
business.
Contact: Diane Deacon, Centre for Family
Business
Tel: 071 486 5288
LONDON

FEBRUARY 28 - MARCH 1
Contracting Out?
Is it the only answer to cost-effective
management of a non-core business?
Examples from real life achievements in
outsourcing are measured against other
organisational solutions aimed at the same
objective. How to achieve cost-effective
management of service and support
functions in both the private and public
sectors.
Contact: Helion Management Limited
Tel: 071 730 1811 Fax: 071 730 2303
LONDON

FEBRUARY 28
Managing Agents and Training
Providers
Sixth Annual CBI conference updates
delegates on important new developments
in the training field together with
examples of best practice.
Contact: Sandra Aldred, CBI conferences
Tel: 071 579 7400 Fax: 071 497 3546
LONDON

FEBRUARY 28
Improving your Business
Performance -
NVQs in Hospitality
This half-day conference organised by the
NVA London Training and Enterprise
Council aims to show catering
companies, hotels, pubs and restaurants
how to make the best use of the National
Vocational Qualification system.
Speakers: Sue Pacey, ABT/ET, design
expert. Tel: 071 405 4767, Tel: 071 405 4768
LONDON

FEBRUARY 28
Competitive Marketing for
Accountants and Solicitors -
PROPOSALS, RITCHES
AND BEAUTY PARLES
Client Speakers from: The Wellcome
Foundation, BT, English Heritage, plus
partners from Robson Rhodes, Dibb
Lupton Broadbent, Parsons & Partners,
Touche Ross, Also Quenda Bell, author of
Win That Pitch, Cheryl Gillan MP and
Chris Swinson on the chair.
Contact: Jackie Kohut, Century Communications
Tel: 071 244 5844.
LONDON

MARCH 1
GNVQ's: Policy and Practice
CBI conference considers Government
policy on the business perspective, design
development implementation plus support
and delivery systems.
Contact: Georgina Kingaby,
CBI Conferences
Tel: 071 579 7400 Fax: 071 497 3546
LONDON

MARCH 2
Emerging Markets 1994 and
Beyond
International specialists from the US,
Singapore, Netherlands and UK outline
their new strategies for 1994 and beyond,
reassessing the global market after recent
performance. Keynote speaker: Dr Mark
Nobes. An independent event, not
promoting institutional funds. Also
profiles on Turkey, Pakistan and
international financial companies. Venue:
Savoy Hotel, London. Details: Imperative
Financial Conferences.
Tel: 071 266 5364 Fax: 071 638 3365
LONDON

MARCH 2 & 3
World Trade After GATT
Stinner and Stationers' Hall
This conference featuring Lady Thatcher,
Sir Leon Brittan, Jack Valenti, Sydney
Gulimand, Arthur Dancel, Colin Sherran
and Harilaou Poulakis looks at the issues for
the prospects of Europe and its
competitors. Begins with dinner on 2
March and continues on 3 March. Details
from Mary Lee, Cryerham Ltd
Tel: 0225-466744 Fax: 0225-412903
LONDON

MARCH 3
Outsourcing the Company Car
This half-day conference, held in
association with Lease Plan UK Ltd, will
look at what outsourcing can offer
companies with large car fleets and how it
can reduce contract hire arrangements.
Enquiries: Director Conferences
Tel: 071 730 0022
LONDON

MARCH 3
JETRO Europe Seminar
Queen Elizabeth II Conference Centre
An afternoon seminar concentrating on
the developments for UK based
businesses within Europe. Speakers by
Arthur Dunkel and Howard Davies.
Additional speakers by senior
representatives from Clifford Chance,
McKinsey and Co. and the Swiss First
Bank. Organised by JETRO and Clifford
Chance. Price: £80 per person inclusive.
Details from Carol Lin, Ian Maybin
Tel: 071 493 7270 Fax: 071 493 7270
LONDON

MARCH 7
CCP - competing for delivery of
construction-related
professional services
Organised, in collaboration with the DoE,
to take place half-way through
construction period on draft regulations
for the introduction of compulsory
competitive tendering for construction-
related professional services.
Tony Baldry MP, will present a review of
developments to date along with speakers
from local government private sector and
representative organisations.
Contact: Institution of Civil Engineers
Tel: 071 839 9801/2 Fax: 071 233 1743
LONDON

MARCH 7, 8, 9
Devising a Regional Transport
Strategy
A conference looking at a South East
Transport Strategy in a national context.
Promoted by SERPLAN, speakers led by
Hon John MacGregor OBE MP, Surrey
North MP, David Curry MP, Issues led by
law, investment circles, private finance,
management, design and construction.
Contact: Lynwood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
CROYDON/LONDON

MARCH 8
In-Town or Out-of-Town?
CITY CENTRE OR BUSINESS PARK?
One-day CBI relocation conference for
personnel, facilities and finance
professionals takes practical look at
options including case studies, business
property trends and financial assistance.
Sponsored by Cardiff City Business Park.
Contact: Sandra Aldred CBI Conferences
Tel: 071 579 7400 Fax: 071 497 3546
LONDON

MARCH 8
IT & Corporate Transformation:
New approaches to creating and
maintaining strategic alignment
between IT & the business
This conference explores the success factors
and key problems associated with
implementing IT strategies to support a
business undergoing major change. It
highlights the outstanding issues and
provides practical guidance on how to handle
them.
Contact: Egon World Media Limited
Tel: 081-544 1030 Fax: 081-544 9020
LONDON

MARCH 8-9
UK Cable, Telephony &
Finance: The Future is Now.
An in-depth conference on the
convergence, cooperation and competition
in the UK cable & telephony industry.
Contact: Patricia Boynton,
Egon World Media Limited
Tel: 071 371 8880 Fax: 071 371 8715
LONDON

MARCH 9
Making Quality Work:
From Rhetoric to Reality
A half-day workshop with implementation
guidelines for senior and middle
management executives.
For further details and to register please
contact: Anne Blackman on 081 336 0022
LONDON

MARCH 9-10
Water Environment 94 -
What's It Worth?
EC Directives and new regulatory issues
are placing increasing technical pressures on
companies involved in treatment and disposal of
wastewaters. The conference aims to provide
industry professionals with detailed information
to assist in arriving at solutions for specific
problems in the context of a better
understanding of strategic policies.
Contact: Institution of Civil Engineers
Tel: 071 839 9803/5 Fax: 071 233 1743
LONDON

MARCH 10
Business and the Environment:
One day seminar relating best practice
environmental activities to business
planning and growth, viewing the
environment as a mainstream management
tool. Speakers include Reducing Operating
Costs, Materials and Consumables, People
and the Working Environment.
Contact: Nicholas Johnston at West
London on 081 814 3272.
Fax: 081 570 9969.
LONDON

MARCH 10
The Role of the Company
Secretary
Hyde Park Hotel
Are you fulfilling your statutory
obligations? This course will help you do
so - and avoid the penalties for failing to
comply with company legislation.
Contact: Evasias Morris, CIMA
Medicines and tax efficient structuring of
companies. Details from: Guy Webb
Tel: 0232 626001 ext 4328 Fax: 0232 626003
LEEDS

MARCH 11
The New Electricity Market:
Challenges and Opportunities
With the 100k W franchise coming into
effect in April 1994, the UK Electricity
industry is entering a new phase of
competition. At this conference, other
speakers will reveal the keys to future
success and how you will stay 'top in class'.
Contact: Chris Meehan
Tel: 071 917 9244 Fax: 071 580 6991
LONDON

MARCH 13/25
Retail & Wholesale Banking
Seminar
Highly participative two week residential
strategy seminar for retail and wholesale
banking. Seminar aimed at financial
institution graduate trainees and bankers
from emerging markets, including
educational visits appropriate to topics
covered. Inclusive, all tuition,
documentation, visas and accommodation.
Contact: Egon World Media Limited
Tel: 0959 565820 Fax: 0959 565821
CROYDON/LONDON

MARCH 14 & 15
The European Water Industry
The aim of the meeting is to discuss the
impact of EC legislation on the water
industry in Europe and to consider how
governments and companies are
responding to the increasing demand for
better environmental protection.
Contact: Egon World Media Limited
Tel: 081-544 1030 Fax: 081-544 9020
LONDON

MARCH 14-18
The JTK/KAIZEN Workshop
As featured on FT Management Page in
January: five days' intensive hands-on
workshop for senior management in world-
leading productivity improvement
techniques, in a real factory. Free video
and copy of article also available.
Contact: Peter Huxford
Kaizen Institute of Europe
Tel: 071-713 0407 Fax: 071-713 0403
MIDLANDS

MARCH 15
The Third Age of Marketing
The International Assessment
A joint conference organised by Age
Concern England and The Henry Centre,
designed to help those companies
involved in marketing goods and services
to the 50+ age group.
Contact: Egon World Media Limited
Tel: 071 353 9941 Fax: 071 353 9941
LONDON

MARCH 16
The West London Technology
Series 2: Design
One day seminar for senior managers of
manufacturing and service-related
companies, exploring product design and
mechanisms for development and
marketing. Speakers drawn from The
Design Council and a leading
international design consultancy will lead
you through the basic ingredients for
success.
Contact: Nick Hamilton at West London
TEC on 081-814-3240, Fax: 081-570-9969
LONDON

MARCH 16-17
Know Your Competitors
Competitor Intelligence & Analysis Inc.
Benchmarking. A practical two day
seminar/workshop from the UK's No 1
specialists. Practical case exercises, case
studies, Group speaker who is head of a
major company's intelligence unit. Contact:
Patrick Demond, EMP Intelligence Service.
Tel: 071-487 5665 Fax: 071-487 5660
LONDON

MARCH 17
Tomorrow's Company
RSA Inquiry National Conference.
For business leaders to rethink the
purpose, definitions and measures of
success of business. To stimulate
improved performance by analysis of the
success of sustainable business success. A
distinguished team of speakers drawn
from the inquiry's participating
companies. Details from: Guy Webb
Tel: 0232 626001 ext 4328 Fax: 0232 626003
LEEDS

MARCH 17
Business Process
Re-engineering
ONE DAY SEMINAR & WORKSHOP
This seminar provides a comprehensive
BPR implementation strategy (Theory,
case study, Workshop). Uniquely we use
proven methodologies and computer
modelling. The speakers from QSC,
McKinsey and Associates and Origin
cover all aspects of a successful
implementation.
Repeated April 14, May 12,
June 19, 1994. QSC Ltd.
Tel: 071-329 3377 Fax: 071-329 4908
LONDON

MARCH 21
Conference:
Introduction to Regulation
This course is designed for those new to
regulated industries, looking at legal and
economic aspects of regulation, covering
both the utilities and other sectors.
Topics: 1. Price Control Techniques
2. Enforcement, regulatory rule-making,
standard setting and quality control and
the managing regulations due process in
regulation and the politics of regulatory
institutions.
Further details can be obtained from the
Short Course Office, LSE
Tel: 071-955 7227/7015 Fax: 071-955 7676
LONDON

MARCH 21-22
Business Process Re-engineering
Seminars & Workshops
Conducting a successful series of seminars
for executives and senior managers
charged with designing and implementing
BPR initiatives. Established blue chip
client list. Presented by a leading UK
practitioner, our proven 'how-to-do-it'
implementation guide is illustrated
throughout with case studies and
workshops. Course booklet also available.
Repeated April 18-19.
Contact: Richard Paris, Verical Systems
International Ltd Tel: +44-455-250266
Fax: +44-455-998821
UNIVERSITY OF WARWICK

MARCH 22-23
World Class International
Workshops:
ACTIVITY-BASED COSTING
Understand how ABC can provide cost
clarity and help prioritise strategic
improvement. Workshop includes ABC
principles, implementation, Case Studies
and Self-paced Modules (Ref: WCA4B)
Contact: Vicki Williams
World Class International Ltd.
Tel: 0775 268133 Fax: 0775 268160
HAMPSHIRE

MARCH 23
Regulating
Telecommunications - An
International Assessment
A CRI seminar looking at the
telecommunications regulation over the
next 10 years. Speakers include BT plc,
OFTEL, Mercury Communications Ltd,
Egon World Media Limited.
Cost £299 + VAT.
Contact: Leigh Sykes, CRI
Tel: 071 895 8823 Fax: 071 895 8825
LONDON

MARCH 23
Sponsorship - The Masterclass
An advanced look at the strategies and
techniques of this complex, growth area of
marketing. Speakers from Guinness,
United Airlines, DHL, Clinical Medicine,
Digital, United Distillers, Allied Lyons,
Shawdon, the European Commission,
LBS, the Group MD of Mowbray and Ian
Spens in the chair.
Contact: Jackie Kohut, Century Communications
Tel: 071 244 8884.
LONDON

MARCH 23
International Securities Lending
Organised by European Business
Seminars to address the challenges and
opportunities in the international
Securities Market, and the impact of UK
tax regulations on lending. Speakers from
key financial institutions and law firms.
Contact: Jackie Kohut, Century Communications
Tel: 071 244 8884.
LONDON

APRIL 14 & 15
"Opportunities in Turkey"
A two day seminar for companies with an
interest in the Turkish market wishing to
establish direct contacts between
companies in the same or complementary
sectors. Speakers will include Ministers
and both countries' Ambassadors, as well
as senior officials.
Contact: Bob Rayney, LOCI
Tel: 071 248 4444 Fax: 071 489 0391
LONDON

MARCH 23
Tax Planning for UK Business
and Their Owners
Following the many recent changes this
conference will focus on: tax efficient
financing, the taxation of business structure
and effective buying and selling of
businesses; capital tax planning for
business owners; new business incentives;
tax efficient remuneration for business
owners and tax efficient structuring of
groups of companies.
Contact: Vicki Williams, IBC Legal Studies
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

MARCH 23 - 24
Business Re-engineering:
Managing Radical Change
This two-day international conference
explores how to address the organisational
and human challenges of business re-
engineering, including frank discussions of
reforms why so many initiatives fail and
explores practical methods for achieving
critical buy-in and support for redesigned
processes and new working practices.
Contact: Business Intelligence
Tel: 081-544 1030 Fax: 081-544 9020
LONDON

MARCH 23 & 24
Venezuela & Colombia
The Caribbean Basin -
Integration, Investment & Trade
This seminar is a significant focus for
direct investment and trade with
potential as emerging markets. The
Colombian Finance Minister keynotes.
Sponsors: Bankers Trust, Banco
Monserrate, Banco Gaudioso, Crowl
Agents, Canning House and the Caribbean
Council for Europe.
Details from: Mary Lee, Cryerham Ltd
Tel: 0225 466744 Fax: 0225 429903
LONDON

MARCH 23-24
Eastern Europe's Economic
Seminars & Workshops
Decline and Opportunities in the Region

EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

Shift in sentiment under way

After a weekend blizzard, the snow is piled high on Wall Street, but anxiety is close to the surface. Analysts say any surprising political or economic development could trip up the stocks this week and send share prices tumbling again.

The risk is great, according to Ms Gail Dudack, an analyst at SG Warburg in New York, because the market has grown so complacent. For investors accustomed to bullish news, the only true surprises are negative ones. In such an atmosphere, panic selling is easily triggered.

For this reason, Ms Dudack sees the Dow Industrial falling to 3,600 in the coming weeks, or about 10 per cent, from January 31's peak of 3,978.38.

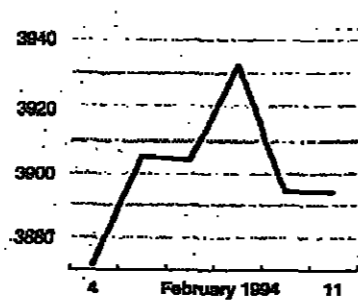
"Underlying most stock market corrections is a shift in investor sentiment from confidence to fear," she says. "Ironically, investors often feel most comfortable at a point at which trends are about to change."

She argues the events of the past fortnight leave little doubt that such a shift is under way. The turning point was the 96-point bawling two weeks ago, set off by the Federal Reserve's tightening the Fed Funds rate to 3.25 per cent.

The plunge may have rattled investors, but did not drain their confidence. When equities regained their stride early last week, there were signs of relief from Wall Street.

But the balloon, hastily inflated, was quickly burst. The trigger was Thursday's appearance by Ms Elaine Garzarelli, a respected Lehman Brothers analyst, on CNBC, business news cable television. In mid-morning she reiterated her view that a 4-7 per cent market correction would be "normal" in the circumstances. Within half an hour,

Dow Jones Industrial Average



Source: FT Graphite

edginess in the market had turned into a minor rout, with the Dow losing about 20 points.

Even though the bellwether Dow index finished 23 points ahead on the week, "the vulnerability of the market is not going away," warned Mr Gregory Nie, technical analyst at Kemper Securities in Chicago. "We may try to trade a little higher [today] but I expect the market to fall."

He points out that the Dow utility average, which often presages downturns in the broader market and parallels trends in interest rates, hit a 53-week low last Thursday. "If people choose to focus on that, it could be bad for bonds as well as stocks."

In addition, there are several potential triggers lurking on the political and economic calendar. Investors could well react unfavourably to the weekend talks between President Bill Clinton and Mr Morihito Hosokawa, the Japanese prime minister.

After last Friday's tame producer price data, the financial markets are looking for the same in Thursday's consumer price report. The Commerce Department's data on capacity utilisation, a keenly watched indicator of inflationary pressure in the economy, may pose an obstacle as well. Sharp rises in either figure would raise fears about the Fed bringing forward a second rate increase.

LONDON

Steve Thompson

Nerves frayed as storm clouds gather

By the time the expected Wall Street hurricane had swept across the Atlantic and reached a cowed London market last Monday, it was no bigger than a sizeable squall. It caused havoc in the market that morning but there was no real structural damage, apart from that to some frayed nerves on London's trading desks.

But there are plenty of storm clouds gathering over the UK market, many whipped up by unfortunate goings on in the Conservative Party.

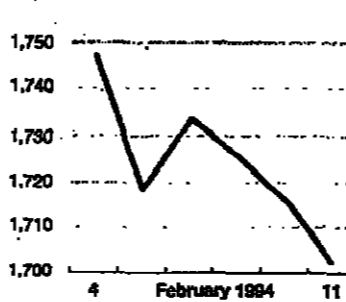
The latest disaster, the death of Mr Stephen Milligan, MP for Eastleigh, means the government's majority in the House of Commons is now down to 15. And the Tories face some big hurdles in the next few months. The most important dates are May 5, which brings the UK local elections and June 9-12, which sees elections for the European parliament.

There are very real fears that the government will face crushing defeats in both elections, putting even greater pressure on the prime minister's tenacity at 10 Downing Street. Markets detect uncertainty and will not be happy until the elections are out of the way.

As the stock market was absorbing the Wall Street-inspired slide caused by the US interest rate rise, the Bank of England caught dealers on the hop again by lifting 1/4 of a percentage point off its base rate ahead of an optimistic quarterly report. After an initial sharp rise the market fell back as strategists questioned whether there had been an element of political influence in the move.

If the market has had to withstand some selling onslaughts of late, and there were more of the same on Friday, there is still scope for further

FT-SE-A All-Share Index



Source: FT Graphite

damage this week, which sees the start of a two-week account and brings a deluge of economic data from home and abroad. And the February reporting season continues with numbers from such big names as British Airways, Hanson and Glaxo.

Last week's results from two super-heavyweights, BT and BP, provided more than a few crumbs of comfort. BT's figures were better than expected while BP spiced its numbers with details of a big oil discovery west of the Shetlands.

The US bond market remains the key to the UK equity market. If bonds continue on their recent downward trend, strategists say, then UK gilts will similarly come under pressure, dragging equities with them.

Despite the change of direction by leading UK indices this week, there is no shortage of bullish commentators. NatWest Securities sticks with its view that UK interest rates will be cut to 4.5 per cent by the middle of the year. It is even more bullish on the market's second-line stocks, forecasting an end-1994 FT-SE 250 level of 4,800.

In contrast, a most bullish observer of recent years, Mr Nick Knight of Nomura, the Japanese stockbroker, caused a stir at the end of last week. Although maintaining his year-end FT-SE 100 forecast at 4,000, he said the index could, in what is expected to be a turbulent year, drop to as low as 3,200.

OTHER MARKETS

FRANKFURT

The Bundesbank meets on Thursday, but UBS says the D-Mark's recent under-performance suggests the markets may have to wait until March for the next rate cut. Schering, the pharmaceutical and agrochemical group, holds its annual press conference today.

PARIS

The results of the public offer for Elf Aquitaine, the oil company, will be announced after the bourse closes today, along with the offer price for institutions, which the economics minister has suggested could exceed FF405 a share. Estimates suggest the public offer was at least 2.5 times subscribed.

A raft of corporate results are due during the week. Rhône-Poulenc, the chemicals and pharmaceuticals group, which was privatised at the end of last year, reports on Wednesday. Cie Bancaire on Thursday and Primagaz, the bottled gas distributor, on Friday.

MILAN

Italy's privatisation extravaganza continues this week with a series of roadshows to drum up interest in the sale of 57 per cent of Banca Commerciale Italiana. A total of 360m shares will be offered to Italian retail buyers and 240m to institutional investors when the privatisation begins on February 28.

Of those on offer to institutions, 60m will be targeted at Italy, 50m at the US and 130m at the rest of the world. BCI will be officially priced on February 26.

ZURICH

Pharma Vision, the investment company specialising in pharmaceutical share holdings, unveils 1993 results at a press conference tomorrow. Saurer, the textile machinery and technology group, is expected to report sharply higher full-year net profits on Wednesday.

TOKYO

The listing of the Nikkei 300 futures on the Osaka Stock Exchange may prompt active index-linked trading. Buying by overseas investors, which has supported prices during the past few weeks, may ease some of the volatility created by futures linked trading, but in the absence of such purchases, profit-taking ahead of the March year-end book closing by corporate investors could depress share prices.

RISK AND REWARD

CBOE revives the idea of options on OTC shares



The outstanding performance of over-the-counter stocks last year has prompted the Chicago Board Options Exchange to attempt a brave revival of an idea that has twice failed - derivatives, in this case options, on an index of the 100 most heavily capitalised companies traded on the Nasdaq stock market.

Nasdaq, the OTC rival of the New York Stock Exchange, has grown steadily over the past 10 years, with share volume rising to 68.5bn last year from just 20bn in 1985. Once regarded as a mere upstart compared with organised exchanges in the US, Nasdaq carved a niche by listing the shares of small growth companies and trading them by wire and telephone.

Many of those companies, like Intel and Microsoft, are no longer small, but retain their exclusive Nasdaq listings. Last year, Nasdaq matched the NYSE's share volume, although dollar volume, at some \$1.350bn, lagged the big board's \$2.830bn.

In the early 1980s, when portfolio managers first discovered that they could use stock index futures and options to enhance investment returns, leverage portfolios, or gain flexibility when allocating assets, Chicago's futures and options exchanges launched a range of successful contracts based on indices of NYSE-listed stocks.

However, when they extended the concept to derivatives on OTC stocks, they failed miserably. The Chicago Mercantile Exchange and the Chicago Board of Trade spent millions of dollars launching competing OTC index futures in 1985 in a battle that ended only when it became clear they had misjudged their market and no one was interested in trading either product.

They beat an embarrassed retreat, leaving the idea to the Philadelphia Stock Exchange, whose options on an index of

100 OTC stocks rarely trade. Now, the Chicago Board Options Exchange is trying again. Mr William Floorsch, the exchange's vice chairman, says times have changed, and growth companies are in vogue. Last year, he notes, Nasdaq 100 stocks outperformed more heavily capitalised indices like the S&P 500.

"The Nasdaq market is six times bigger than it was in 1985. We've seen an institutionalisation of Nasdaq stocks," he says. "The Chicago Board of Trade and the Chicago Mercantile Exchange had a good idea, but they were a little ahead of themselves."

While there is no doubt the Nasdaq 100 stocks, with a market capitalisation of \$269bn, are popular with retail and institutional investors, equities traders say the CBOE's Nasdaq 100 index option is like a one-legged stool. It needs a complementary futures contract and a mechanism for executing basket or "programme" trades in the underlying shares.

Institutional money managers need all three to carry out balanced hedging and arbitrage programmes. The CBOE's S&P 500 index options are arguably the most successful equity index product in the world because they are used in conjunction with the CME's S&P 500 index futures and the NYSE's automated order routing system, known as the DOT.

A trader can buy an S&P index option contract, lay off the risk by selling a futures contract, and also purchase or sell a basket of the underlying stocks, all in the same instant.

In the Nasdaq market this capability is lacking, but may develop in time to boost the CBOE's new product.

As for a Nasdaq 100 futures contract, CME spokesman Andy Yamama says his exchange is considering giving the product another shot. "The CBOE is doing the options, and we co-operate with them on a lot of other equity products," he says.

Laurie Morse

INDICES AT A GLANCE

	Closing price	Over the week	Over 12 months	Since Jan 1	12 month High	Low	1994 High	Low
FT-SE 100	3,378.90	-2.8	+19.2	+1.1	3,520.30	2,796.30	6/5/93	3,520.30
Dow Jones Ind.	3,894.78	+0.6	+12.8	+3.7	3,978.38	3,111/94	3,502.51	18/2/93
Nikkei	19,990.70	-1.5	+17.0	+14.8	21,148.11	13,093/93	16,078.71	29/11/93
Dax	2,090.61	-2.2	+26.6	-7.8	2,267.98	3/1/94	1,603.04	24/5/93
CAC 40	2,275.09	-2.3	+14.4	+0.3	2,355.93	2/2/94	1,835.72	17/5/93
Banca Com. Ital.	680.71	+1.3	+39.6	+14.0	680.71	11/2/94	475.01	31/3/93

FT Graphite

EMERGING MARKETS: This Week

The Emerging Investor / Sara Webb and Shiraz Sidhva

Damming the flood of Indian issues

India's Ministry of Finance is imposing informal restrictions on Indian companies which want to raise funds in the international capital markets, in order to slow down the deluge of international equity and convertible bond issues flooding onto the market.

Investment bankers and potential borrowers have been told that permission for new issues will probably be restricted to companies which are either heavily export-oriented, or involved in infrastructure projects - at least in the period to the end of March.

In addition, ministry officials said they may introduce revised application procedures to control the subsequent flow of new issues.

"We have over 120 applications for GDRs [global depositary receipts] and euro-issues pending, and it would be sensible on anybody's part to examine them more closely before granting permission," admits Mr NK Singh, a senior official in the Ministry of Finance.

"We are trying to orchestrate some sequencing, so that companies with strong balance sheets and good track records are given preference over indifferent ones. We also want to ensure that there is no bunching of issues - it is the companies which stand to gain by this," he added.

Last week the ministry gave permission for two big GDR issues - a \$150m (€103m) offering for Calcutta Electric Sup-

ply Corporation (CESC), and a \$100m deal for the Mafatlal group, the Bombay-based textiles and petrochemicals manufacturer.

With the liberalisation and deregulation of the Indian economy under Prime Minister PV Narasimha Rao, Indian companies have enjoyed a newfound freedom to raise funds abroad. Many are keen to do so in order to pay down domestic debt - on which they commonly pay interest of some 18 to 19 per cent - or to finance expansion of their existing operations.

Mr Roddy Sale of Jardine Fleming India Securities, points out that "there are about a hundred companies which want to do international equity offerings; whereas in the domestic market they commonly have to issue [shares] at a discount to the stock price, with an international equity offering they can do it at a premium [to the underlying share price]."

Barely a week goes by without one of India's bigger companies announcing a new international equity or equity-linked offering.

So far this year, eight companies have tapped international investors for a total of \$880m with issues of GDRs or convertible bonds, according to figures compiled by Euro-money Bondware. Issuers include names such as Industrial Credit & Investment Corporation of India (ICICI), Great

Stock	Country	Friday's close	Week on week change
Teleap (ptd)	Brazil	0.5529	0.1383
Uelmines	Brazil	0.0014	0.0003
Banco Bradesco	Brazil	0.0205	0.0043
Saia Concordia Industria (ptd)	Brazil	0.0109	0.0021
CIA Souza Cruz Industria	Brazil	9.0308	1.4466
TPI Polene	Thailand	8.2482	1.2852
Copene	Brazil	0.5492	0.0840
White Martins	Brazil	0.0003	0.0000
Filinvest Land	Philippines	0.4900	0.0734
Electrobras (ptd)	Brazil	0.2967	0.0459

Source: Emerging Securities

Eastern Shipping, Indian Rayon & Industries, and Videocon International.

Issuance so far this year has nearly reached the level seen in the whole of 1993 when new issues - from companies such as Reliance Industries, Sterlite Industries, and Essar Gujarat - amounted to nearly \$900m.

The ministry of finance is concerned that the flood of new international equity offerings could have a detrimental effect on the Rupee's exchange rate, triggered by the inflow of dollars. It does not want the Rupee to appreciate against the dollar as this would make India's exporters less competitive internationally. Mr David Maslin, economist at Morgan Guaranty Trust Company, points out that the Reserve Bank of India has been buying dollars to stabilise the Rupee over recent months.

More cynical observers of the Indian market point out that the ministry's new "slowdown" measures may help to smooth the path for the \$500m international share offering from Videsh Sanchar Nigam Limited (VSNL), the government-owned overseas telecommunications network, due later this month.

The VSNL issue is critical to the government as 70 per cent of the funds will be used to finance the department of telecom's expansion programme.

The government is particularly encouraged by the success of equity issues by private Indian companies, and plans to raise money on the international capital markets for many of the public sector companies.

However, it is concerned that indiscriminate borrowing could spoil the conditions for subsequent issues, especially of government-owned corporations that have embarked on privatisation programmes. Officials say they are considering

allowing up to three international issues every month to ensure a steady inflow of between \$1bn and \$2bn a year.

Ministry officials said the government may also stipulate that proceeds from international offering be used solely to finance capital expenditure or repayments of high-cost borrowing or for working capital needs. In addition, the ministry may impose a ceiling on borrowing.

Many of the international offerings by Indian companies have been hailed a success by investment bankers and fund managers.

While the early, pioneering issues were launched at a discount to the underlying share price, subsequent issues were launched at a premium and performed relatively well thereafter. "The heavy new supply has been snapped up by specialist Indian funds - emerging market funds - as well as more diversified funds, investment bankers say."

International investors who want to invest directly in the stock market have to apply to the Foreign Institutional Investor (FII) while the domestic market route provides investors with a far wider array of stocks - there are about 7,000 companies listed on India's various exchanges - the settlement procedures are cumbersome and subject to long delays.

Many investors prefer to take the international equity route: "The advantage of this

is the liquidity - it is easier to accumulate and unwind positions, and settlement is less of a worry," says one US-based fund manager.

"GDRs are a good place to park your funds because the settlement is very quick and there is potential premium expansion," says Mr Tristan Clube, a director of the Indian Opportunities Fund, launched last year by Martin Currie Investment Management.

Although the fund invests predominantly in the domestic stock markets, it has bought shares in four or five of the recent international equity offerings.

The success of these international issues reflects the huge amount of money which has been invested in emerging markets generally. "The success of these issues is driven by asset allocators and because most people can't invest directly," says Mr Clube.

However, some warn that if the tidal wave of new issues continues, the market could suffer from "investor fatigue".

Mr Peter Bassett, head of emerging market investment at Henderson Administration Group, a London-based fund management group, says: "We are delighted to see a new equity market open up, but we are having to be selective now. I don't think the market is being well served by the glut of issues because this is a new area and we need time to digest."



News round-up

Strategy

The tightening of monetary policy by the US Fed was reflected in sharp declines last Monday in Hong Kong, Bangkok and Kuala Lumpur, but the Chinese new year kept activity muted thereafter.

With today's reopening of the markets many analysts expect a further wobble, but not necessarily another heavy sell-off. Traders expect a short-term range in the Hang Seng index of between 10,000 and 12,500.

Mutual funds

Emerging market mutual funds based in industrialised countries held assets of \$79.6bn (\$54.5bn) at the end of last year, according to new figures from Micropal Emerging Market Fund Monitor.

Some \$7.6bn of that was in emerging market debt funds. Of the equity funds, some \$20.5bn was in Asian regional funds and \$17bn in Asian single country funds, while only \$5.1bn was in Latin American regional funds and \$3.9bn in single country funds.

Such figures may support the assertions of some analysts that Asian markets are more

vulnerable than Latin markets to shifts by mutual fund investors because of interest rate rises in the US.

Pakistan

The country's three stock markets, in Karachi, Lahore and Islamabad, are aiming to streamline their operations so that corporate results would become available simultaneously.

A complaints centre will also be established to deal with problems of the transfer of shares which, in some instances, can take at least 45 days.

Israel

The central bank plans to liberalise foreign currency trading rules as the first step towards making the shekel convertible.

The authorities said that in a few months' time trading will become continuous - at present the Bank of Israel publishes a representative shekel/dollar rate once a day.

Further coverage of emerging markets appears daily on the World Stock Markets page.

CURRENCY MARKETS

Focus on yen after trade talks fail

In a week which sees a flood of UK economic data released and a Bundesbank council meeting on Thursday, attention in foreign exchange markets will initially focus on the aftermath of the failed trade talks between the US and Japan.

President Clinton and Mr Hosokawa could not reach agreement at their Friday meeting about how to cut Japan's trade surplus and improve US access to specific market sectors.

The general expectation is that the yen will strengthen as this is one means by which the

US can close the gap. The market was already moving this way last week. The yen closed on Friday in New York at ¥107.1 to the dollar, its highest close since mid-November.

Any appreciation of the yen is likely to be a short-term phenomenon. It does not serve Japan's interests as it will hamper much-needed economic recovery. Arguably, it could also cause the trade surplus to increase if it inhibits growth in consumer demand.

In the longer term, economic fundamentals favour a stronger dollar as the US economy

is enjoying solid growth while Japan remains mired in recession.

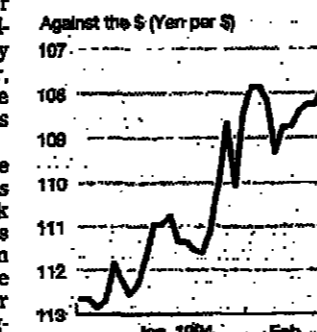
President Clinton said on Saturday that the US will this week review its options on how to approach the trade question. Reports in the US media yesterday quoted senior US officials saying the administration had already decided to try to increase its bargaining power by imposing sanctions on some Japanese imports.

In the UK the focus will be on the release on Wednesday of retail sales figures and the retail prices index for January.

With the UK economy enjoying solid growth, the outlook for sterling remains positive. Following last week's poorly received rate cut, however, observers believe there may be a delay before it recovers investor support.

In Europe attention will once more focus on Thursday's meeting of the Bundesbank council. Although analysts have long been forecasting an easing of policy, most believe the central bank will wait for January's money supply figures before making any changes.

Yen



Source: FT Graphite

Baring Securities emerging markets indices

Index	11/2/94	Week on week movement	Month on month movement	Year to date movement
World (230)	182.71	0.91	0.50	14.81
Latin America				
Argentina (19)	133.67	-0.04	-0.03	18.61
Brazil (18)	210.82	24.08	12.89	43.17
Chile (12)	177.56	-6.59	-4.62	17.54
Mexico (22)	176.86	-0.92	-0.52	23.01
Latin America (71)	180.80	4.75	2.70	27.17
Europe				
Greece (14)	94.97	-5.13	-5.12	0.09
Portugal (13)	127.24	-1.89	1.47	11.25
Turkey (22)	96.36	-24.82	-20.02	-94.16
Europe (48)	109.84	-7.64	-6.50	-15.13
Asia				
Indonesia (17)	176.74	-4.41	-2.44	1.16
Korea (23)	124.25	-6.99	-5.33	15.44
Malaysia (21)	218.34	-7.93	-3.51	-0.83
Philippines (6)	298.13	9.73	3.37	-2.43
Thailand (20)	231.24	-4.10	-1.74	-25.91
Taiwan (29)	183.57	1.56	0.96	4.29
Asia (119)	206.18	-4.34	-2.06	-1.53

All indices in \$ terms, January 7th 1992=100. Source: Baring Securities

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Standard Unit Test Mortgage - (Cont'd.)						
1st Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
2nd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
3rd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
4th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
5th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
6th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
7th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
8th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
9th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
10th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
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12th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
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14th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
15th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
16th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
17th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
18th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
19th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
20th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
21st Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
22nd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
23rd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
24th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
25th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
26th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
27th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
28th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
29th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
30th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
31st Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
32nd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
33rd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
34th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
35th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
36th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
37th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
38th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
39th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
40th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
41st Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
42nd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
43rd Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
44th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
45th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
46th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
47th Pymt	3.74	274.12	274.09	383.99	955.94	1029.94
48th Pymt	3.74	274.12	274.09	383.9		

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JAPANESE YEN FUTURES (JNY) Yen 12.5 per Yen 100

\$100,000 - \$200,000	1.28	3.10	4.23
\$200,000 - \$500,000	1.45	3.50	4.59
\$500,000 - \$1,000,000	1.62	3.75	4.86
\$1,000,000 - \$2,500,000	1.78	4.00	5.13
\$2,500,000 - \$5,000,000	2.00	1.00	2.02
\$5,000,000 - \$10,000,000	2.25	1.00	2.27
\$10,000,000 - \$25,000,000	2.50	1.00	2.53
\$25,000,000 - \$50,000,000	2.75	1.00	2.83

For other amounts or terms, call your banker.

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300 Westwood Plaza, Suite 100 • 250-047-7070

WALD TRUST LIMITED
10000 W. 110th Street • Eden Prairie, MN 55324
Capital Park Group Account

\$100,000 - \$250,000	1.47%	5.26%	4.84%	0%
\$250,000 - \$500,000	1.47%	5.26%	4.84%	0%
\$500,000 - \$1,000,000	1.47%	5.26%	4.84%	0%
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\$100,000,000,000,000,000,000,000,000,000,000,000 - \$250,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$250,000,000,000,000,000,000,000,000,000,000,000 - \$500,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$500,000,000,000,000,000,000,000,000,000,000,000 - \$1,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$1,000,000,000,000,000,000,000,000,000,000,000,000 - \$2,500,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$2,500,000,000,000,000,000,000,000,000,000,000,000 - \$5,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$5,000,000,000,000,000,000,000,000,000,000,000,000 - \$10,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$10,000,000,000,000,000,000,000,000,000,000,000,000 - \$25,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$25,000,000,000,000,000,000,000,000,000,000,000,000 - \$50,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$50,000,000,000,000,000,000,000,000,000,000,000,000 - \$100,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$100,000,000,000,000,000,000,000,000,000,000,000,000 - \$250,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$250,000,000,000,000,000,000,000,000,000,000,000,000 - \$500,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$500,000,000,000,000,000,000,000,000,000,000,000,000 - \$1,000,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$1,000,000,000,000,000,000,000,000,000,000,000,000,000 - \$2,500,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$2,500,000,000,000,000,000,000,000,000,000,000,000,000 - \$5,000,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$5,000,000,000,000,000,000,000,000,000,000,000,000,000 - \$10,000,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$10,000,000,000,000,000,000,000,000,000,000,000,000,000 - \$25,000,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
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\$50,000,000,000,000,000,000,000,000,000,000,000,000,000 - \$100,000,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
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\$250,000,000,000,000,000,000,000,000,000,000,000,000,000 - \$500,000,000,000,000,000,000,000,000,000,000,000,000,000	1.47%	5.26%	4.84%	0%
\$500,000,000,000,000,000,000,000,000,000,000,000,000,000 - \$1,000,000,000,000,0				

STERLING FUTURES (IMM) £62,500 per £

\$10,000-200,000	3.70	3.75	0hr
200,000-500,000	3.75	3.80	0hr
500,000-1,000,000	3.80	3.85	0hr
\$100,000-500,000	3.85	3.90	0hr

The Co-operative Bank
 92 Madison Ave., New York, NY 10017
 212-691-1234

Participation - General Interest Certificate	0.048-25.000	1 Yearly
All Balances	4.50	5.01 hr
Participation - 90 Day Notice Certificate	2.00	5.01 hr
100,000	3.64	5.01 hr

J. Henry Schroder Ward & Co Ltd
 120 Chambers Street, New York, NY 10038
 212-691-1234

Special Rate	2.675	2.100	1.000	0hr
100,000	2.675	2.100	1.000	0hr
250,000-2,000,000	4.25	3.50	1.50	0hr

Western Trust High Interest Loans
 The Metropolitan, P.O. Box 1152
 07621-2441

\$10,000	0.00	3.75	0hr
25,000-210,000	4.25	3.50	1.50
\$100,000-500,000	4.25	3.50	1.50

WindsorFunds, L.P., Windsor Fund Company, P.C.

Strike **CALLS**

[illegible]

TEMPLETON GLOBAL STRATEGY SICAV

Recently compiled by The Financial Times Ltd., Goldman, S

Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B - 35117

DIVIDEND ANNOUNCEMENT

TEMPERITON GLOBAL STRATEGY SICAV will pay on February

Australia (59)	181.76	8.9	183.78
Austria (17)	184.48	-0.3	186.53

Templeton Global Income Fund:	USD	0.14	coupon no 9
Templeton DM Global Bond Fund:	DEM	0.14	coupon no 9
Templeton Emerging Markets Fixed Income Fund:	USD	0.17	coupon no 8

Long Kong (56)	464.98	-5.0	470.16	3
Ireland (14)	189.83	2.5	191.94	1


Templeton Haven Fund: CHF 0.03 coupon no 7
 Templeton US Government Fund: USD 0.04 coupon no 27
Paying Agent in Luxembourg:
 Banque Internationale à Luxembourg
 2, boulevard Royal
 L-2449 Luxembourg
 The funds are traded ex-dividend as from February 11, 1994

New Zealand (14)	74.09	9.7	74.92
Norway (23)	194.40	8.2	196.58
2 countries (15)	252.48	2.8	252.43

For any queries, shareholders are invited to contact Temolton Investment Management Limited - Edinburgh, Tel: 031-228 4506

The Board of Directors
Luxembourg, February 1994

USA (518)	191.11	0.6	193.23
EUROPE (744)	170.15	1.0	172.04



World Ex. Japan (253)	278.49	-2.9	282.00
World Ex. US (1851)	166.79	8.0	188.64
World Ex. UK (1954)	171.07	4.4	173.97


 Notice to the Holders of
EUROPEAN INVESTMENT BANK
 Italian Lira 250 Billion
 "Eurobond" Certificate

Base value: Dec 31, 1988 = 100; Finance Dec 31, 1987 = 115.13/100.
Constituent change with effect 16/2/94: LMI gully. Constituent change
to Southcorp Holdings (Australia). Markets closed 11/2/94: Hong Kong

FLY 205,825.- per FTL 5,000,000 Nominal
 FTL 2,058,247.- per FTL 50,000,000 Nominal

T-SE Mid 250	4030.0	4068.9	4101.1	4131.6	4077.1
T-SE Mid 250 ex ITs	4047.6	4086.9	4118.1	4146.3	4082.8

SANPAOLO-LARIANO BANK S.A.
Luxembourg
Agent Bank


COMMERZBANK OVERSEAS FINANCE N.V.
U.S.\$ 150,000,000 Subordinated Collared Floating
Rate Guaranteed Notes Due 2005

France. Our link with the French business

In accordance with the provisions of the Notes the following notice is hereby given:

Interest Period:	February 11, 1994 to August 11, 1994 (181 days)
Interest Rate:	5.25 % p.a.
Coupon Amount:	U.S.\$ 131.98 per U.S.\$ 5,000 Note U.S.\$ 2,639.58 per U.S.\$ 100,000 Note

and to further target the French business

Payment Date: August 11, 1994
Frankfurt/Main, February 1994
COMMERZBANK 

1. *Chlorophyll a* (Chl *a*) and *Chlorophyll b* (Chl *b*) were determined by the method of Arar and Collins (1971) using a Shimadzu 10A-UV spectrophotometer. The concentration of Chl *a* and Chl *b* was expressed as $\mu\text{g mL}^{-1}$ of the sample.

[illegible]

LONDON SHARE SERVICE**TINIENT TRUSTS - Co**

F O C K									
BASIC STOCKS									
Symbol	Price	Change	Volume	High	Low	Open	Close	Settle	Dividend
IBM	125.00	+0.25	1,200,000	125.25	124.75	125.00	125.25	125.00	2.00
Microsoft	145.00	+1.00	800,000	146.00	144.00	145.00	146.00	145.00	1.00
Apple	110.00	+0.50	1,500,000	110.50	109.50	110.00	110.50	110.00	0.50
Oracle	95.00	+0.75	600,000	95.75	94.25	95.00	95.75	95.00	0.75
Amazon	180.00	+1.50	1,100,000	181.50	178.50	180.00	181.50	180.00	1.50
Google	210.00	+2.00	900,000	212.00	208.00	210.00	212.00	210.00	2.00
Facebook	150.00	+1.00	700,000	151.00	149.00	150.00	151.00	150.00	1.00
Twitter	45.00	+0.50	1,800,000	45.50	44.50	45.00	45.50	45.00	0.50
LinkedIn	35.00	+0.25	1,000,000	35.25	34.75	35.00	35.25	35.00	0.25
Slack	25.00	+0.10	800,000	25.10	24.90	25.00	25.10	25.00	0.10
Zoom	120.00	+1.00	1,300,000	121.00	119.00	120.00	121.00	120.00	1.00
Dropbox	85.00	+0.50	600,000	85.50	84.50	85.00	85.50	85.00	0.50
Evernote	65.00	+0.25	500,000	65.25	64.75	65.00	65.25	65.00	0.25
Box	55.00	+0.15	400,000	55.15	54.85	55.00	55.15	55.00	0.15
OneDrive	45.00	+0.10	300,000	45.10	44.90	45.00	45.10	45.00	0.10
Google Cloud	35.00	+0.05	200,000	35.05	34.95	35.00	35.05	35.00	0.05
Microsoft Azure	25.00	+0.05	150,000	25.05	24.95	25.00	25.05	25.00	0.05
Amazon AWS	15.00	+0.05	100,000	15.05	14.95	15.00	15.05	15.00	0.05
IBM Watson	10.00	+0.05	50,000	10.05	9.95	10.00	10.05	10.00	0.05
Microsoft Dynamics	8.00	+0.05	40,000	8.05	7.95	8.00	8.05	8.00	0.05
Oracle ERP	7.00	+0.05	30,000	7.05	6.95	7.00	7.05	7.00	0.05
Amazon SageMaker	6.00	+0.05	20,000	6.05	5.95	6.00	6.05	6.00	0.05
Google AI	5.00	+0.05	15,000	5.05	4.95	5.00	5.05	5.00	0.05
Microsoft AI	4.00	+0.05	10,000	4.05	3.95	4.00	4.05	4.00	0.05
Amazon AI	3.00	+0.05	5,000	3.05	2.95	3.00	3.05	3.00	0.05
Google AI	2.00	+0.05	5,000	2.05	1.95	2.00	2.05	2.00	0.05
Microsoft AI	1.00	+0.05	5,000	1.05	0.95	1.00	1.05	1.00	0.05
Amazon AI	0.50	+0.05	5,000	0.55	0.45	0.50	0.55	0.50	0.05
Google AI	0.25	+0.05	5,000	0.30	0.20	0.25	0.30	0.25	0.05
Microsoft AI	0.10	+0.05	5,000	0.15	0.05	0.10	0.15	0.10	0.05
Amazon AI	0.05	+0.05	5,000	0.10	0.00	0.05	0.10	0.05	0.05
Google AI	0.01	+0.05	5,000	0.06	0.00	0.01	0.06	0.01	0.05
Microsoft AI	0.00	+0.05	5,000	0.05	0.00	0.00	0.05	0.00	0.05
Amazon AI	0.00	+0.05	5,000	0.05	0.00	0.00	0.05	0.00	0.05
Google AI	0.00	+0.05	5,000	0.05	0.00	0.00	0.05	0.00	0.05
Microsoft AI	0.00	+0.05	5,000	0.05	0.00	0.00	0.05	0.00	0.05
Amazon AI	0.00	+0.05	5,000	0.05	0.00	0.00	0.05	0.00	0.05
Google AI	0.00	+0.05	5,000	0.05	0.00	0.00	0.05	0.00	0.05</

TRANSPORT - Cont.

TRANSPORT - Continued		Index	Price
70	TT&A	41	100
71	Trans Air	41	100
72	Trans Canada	41	100
73	Transport Div.	41	100
74	Transp. Ind.	41	100
75	Transp. Ind. & S.	41	100
76	Transp. Ind. & S.	41	100
77	Transp. Ind. & S.	41	100
78	Transp. Ind. & S.	41	100
79	Transp. Ind. & S.	41	100
80	Transp. Ind. & S.	41	100
81	Transp. Ind. & S.	41	100
82	Transp. Ind. & S.	41	100
83	Transp. Ind. & S.	41	100
84	Transp. Ind. & S.	41	100
85	Transp. Ind. & S.	41	100
86	Transp. Ind. & S.	41	100
87	Transp. Ind. & S.	41	100
88	Transp. Ind. & S.	41	100
89	Transp. Ind. & S.	41	100
90	Transp. Ind. & S.	41	100
91	Transp. Ind. & S.	41	100
92	Transp. Ind. & S.	41	100
93	Transp. Ind. & S.	41	100
94	Transp. Ind. & S.	41	100
95	Transp. Ind. & S.	41	100
96	Transp. Ind. & S.	41	100
97	Transp. Ind. & S.	41	100
98	Transp. Ind. & S.	41	100
99	Transp. Ind. & S.	41	100
100	Transp. Ind. & S.	41	100
101	Transp. Ind. & S.	41	100
102	Transp. Ind. & S.	41	100
103	Transp. Ind. & S.	41	100
104	Transp. Ind. & S.	41	100
105	Transp. Ind. & S.	41	100
106	Transp. Ind. & S.	41	100
107	Transp. Ind. & S.	41	100
108	Transp. Ind. & S.	41	100
109	Transp. Ind. & S.	41	100
110	Transp. Ind. & S.	41	100
111	Transp. Ind. & S.	41	100
112	Transp. Ind. & S.	41	100
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117	Transp. Ind. & S.	41	100
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127	Transp. Ind. & S.	41	100
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137	Transp. Ind. & S.	41	100
138	Transp. Ind. & S.	41	100
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140	Transp. Ind. & S.	41	100
141	Transp. Ind. & S.	41	100
142	Transp. Ind. & S.	41	100
143	Transp. Ind. & S.	41	100
144	Transp. Ind. & S.	41	100
145	Transp. Ind. & S.	41	100
146	Transp. Ind. & S.	41	100
147	Transp. Ind. & S.	41	100
148	Transp. Ind. & S.	41	100
149	Transp. Ind. & S.	41	100
150	Transp. Ind. & S.	41	100
151	Transp. Ind. & S.	41	100
152	Transp. Ind. & S.	41	100
153	Transp. Ind. & S.	41	100
154	Transp. Ind. & S.	41	100
155	Transp. Ind. & S.	41	100

WATER		Index	Price
156	Anglova	211	100
157	Anglova	211	100
158	B.H.V.	110	100
159	B.H.V.	110	100
160	B.H.V.	110	100
161	B.H.V.	110	100
162	B.H.V.	110	100
163	B.H.V.	110	100
164	B.H.V.	110	100
165	B.H.V.	110	100
166	B.H.V.	110	100
167	B.H.V.	110	100
168	B.H.V.	110	100
169	B.H.V.	110	100
170	B.H.V.	110	100
171	B.H.V.	110	100
172	B.H.V.	110	100
173	B.H.V.	110	100
174	B.H.V.	110	100
175	B.H.V.	110	100
176	B.H.V.	110	100
177	B.H.V.	110	100
178	B.H.V.	110	100
179	B.H.V.	110	100
180	B.H.V.	110	100
181	B.H.V.	110	100
182	B.H.V.	110	100
183	B.H.V.	110	100
184	B.H.V.	110	100
185	B.H.V.	110	100
186	B.H.V.	110	100
187	B.H.V.	110	100
188	B.H.V.	110	100
189	B.H.V.	110	100
190	B.H.V.	110	100
191	B.H.V.	110	100
192	B.H.V.	110	100
193	B.H.V.	110	100
194	B.H.V.	110	100
195	B.H.V.	110	100
196	B.H.V.	110	100
197	B.H.V.	110	100
198	B.H.V.	110	100
199	B.H.V.	110	100
200	B.H.V.	110	100

TREASURY & BONDS		Index	Price
201	Alberta Govt.	253	100
202	Alberta Govt.	253	100
203	Alberta Govt.	253	100
204	Alberta Govt.	253	100
205	Alberta Govt.	253	100
206	Alberta Govt.	253	100
207	Alberta Govt.	253	100
208	Alberta Govt.	253	100
209	Alberta Govt.	253	100
210	Alberta Govt.	253	100
211	Alberta Govt.	253	100
212	Alberta Govt.	253	100
213	Alberta Govt.	253	100
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242	Alberta Govt.	253	100
243	Alberta Govt.	253	100
244	Alberta Govt.	253	100
245	Alberta Govt.	253	100
246	Alberta Govt.	253	100
247	Alberta Govt.	253	100
248	Alberta Govt.	253	100
249	Alberta Govt.	253	100
250	Alberta Govt.	253	100

CANADIANS		Index	Price
251	Amor Barbell	17	100
252	Amor Barbell	17	100
253	Amor Barbell	17	100
254	Amor Barbell	17	100
255	Amor Barbell	17	100
256	Amor Barbell	17	100
257	Amor Barbell	17	100
258	Amor Barbell	17	100
259	Amor Barbell	17	100
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267	Amor Barbell	17	100
268	Amor Barbell	17	100
269	Amor Barbell	17	100
270	Amor Barbell	17	100
271	Amor Barbell	17	100
272	Amor Barbell	17	100
273	Amor Barbell	17	100
274	Amor Barbell	17	100
275	Amor Barbell	17	100
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294	Amor Barbell	17	100
295	Amor Barbell	17	100
296	Amor Barbell	17	100
297	Amor Barbell	17	100
298	Amor Barbell	17	100
299	Amor Barbell	17	100
300	Amor Barbell	17	100

[illegible]

FT Share Service
The following share information is available from the Information Service: Address (Overseas Index) and Fax Deletions: Thomson Press LGW (Teletext).

FT Free Annual
You can obtain the current company financials and share information free of charge by telephoning the code FT8491. (Call 070 0770 or fax +44 81 770 0770) on the next working day. Please remember to quote the code above and also your post code.

FT Cyteline
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NASDAQ NATIONAL MARKET

2.30 nm glass

Stock	Wk	Yr	1984	High	Low	Chg	Stock	Wk	Yr	1984	High	Low	Chg	Stock	Wk	Yr	1984	High	Low	Chg	Stock	Wk	Yr	1984	High	Low	Chg	
ACC Inc.	0.12	82	40.61%	144	15	-3	Deephatch	0.11	22	26%	25	25	-	James Hill	0.10	21	2084	123	11%	12%	-	Procter	0.12	82	115	21	30%	-
ACC Corp.	0.20	82	39.18%	184	184	-	Dynegy	0.20	21	17	6%	7%	-	Joseph Co.	1.20	11	2084	123	11%	12%	-	Procter	0.12	82	115	21	30%	-
Accurate	0.10	82	39.18%	184	184	-	Eastman	0.20	21	17	6%	7%	-	John J. Hill	0.10	21	2084	123	11%	12%	-	Procter	0.12	82	115	21	30%	-
Accu-Med	0.22	110	62.25%	252	252	-	DebiCo	0.04	11	21	22%	22%	-	Joan J. Hill	0.10	21	2084	123	11%	12%	-	Procter	0.12	82	115	21	30%	-
Accum Corp.	0.34	15	24%	234	24	-	Dell Corp.	0.27	26	20%	20%	-	John J. Hill	0.10	21	2084	123	11%	12%	-	Procter	0.12	82	115	21	30%	-	
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هكذا عن الامم

FT GUIDE TO THE WEEK

14

MONDAY

Middle East peace talks

Israel and the Palestine Liberation Organisation are due to resume talks in Paris and Egypt. They hope to build on last week's breakthrough concerning security accords in Cairo.

In Paris, the two sides are expected to continue hammering out an agreement on trade, taxation, currency, finance and banking. In Egypt, they will seek to conclude discussions on the role of a Palestinian police force and the transfer of civilian administration from Israel to Palestinian hands.

Sutherland to meet de Klerk



South Africa's integration into the international community continues with a visit by Gatt chief Peter Sutherland (left). He will discuss economic reform with President F. W. de Klerk and the African National Congress leader Nelson Mandela.

Albania's foreign minister

Alfred Serreji holds talks in Athens on co-operation with the European Union and bilateral issues. It is the first visit by a senior Albanian official since Greece's socialist government took over in October.

The two countries have been on bad terms since last summer over alleged mistreatment of the Greek minority in Albania and expulsions from Greece of Albanian workers.

Kazakhstan president Nursultan Nazarbayev meets US president Bill Clinton in Washington. Considered the most effective reformer in the former Soviet republics, Nazarbayev will press for a greater share of western assistance to the Commonwealth of Independent States.

Lloyd's compensation offer

Today is the official deadline for loss-making Lloyd's Names to accept the insurance market's £900m out-of-court settlement offer, but Lloyd's is expected to extend it. The insurance market has said the proposed settlement would be withdrawn unless it was accepted by loss-making Names whose individual deals account for at least 70 per cent of the £900m offer. However, if a significant number of Names accept the deal, a short extension of the offer period may be considered.

UK National Lottery: Bids from companies interested in running the national lottery must be in by midday.

Valentine's Day: Postal services, greeting card manufacturers, and restaurateurs are hoping for record business from the festival of romance.

Holidays: Brazil, some states in Germany (Carnival), Luxembourg (Shrove Monday).

15

TUESDAY

Major and Hurd in Moscow

UK prime minister John Major and defence secretary Douglas Hurd begin two days of talks in Moscow. They will try to persuade Russian president Boris Yeltsin that the Nato ultimatum threatening air strikes against Serbian forces does not signal a break with the West's commitment to a negotiated settlement in Bosnia.

Mr Major will also stress that western financial support for President Yeltsin depends on reform continuing. Mr Hurd plans to hold a meeting with the leaders of the three Baltic states in the Latvian capital Riga.

Belarus protest: Committees at some 22 enterprises plan a one-day protest to demand the resignation of the conservative government and early elections. Stanislav Shushkevich, ousted as head of state last month, has said elections are the only way to stop market reforms from being blocked by bureaucrats who do not want to let go of economic power.

Japanese budget: The Hosokawa government adopts a final budget for the fiscal year starting on April 1. The finance ministry has called for austerity following the record ¥15,250bn (\$1.4bn) pump-priming package. The ministry's draft calls for a 1 per cent rise in total outlays to ¥17,081bn.

Middle East bilateral peace talks between Israel and Syria, Jordan, Lebanon and the Palestinians are due to resume in Washington. The Syrians, Jordanians and Lebanese are trying to make progress with Israel towards a comprehensive Middle East peace - the heart of which is an agreement on Israeli withdrawal from the occupied Syrian Golan Heights in return for full peace.

The Israeli-Palestinian talks will focus on agreeing a protocol for holding Palestinian elections under the peace accord for Palestinian self-rule in the Gaza Strip and West Bank area of Jericho.

Europe's steelmakers and the European Commission meet in Brussels to discuss the continuing crisis in the industry. After December's controversial agreement by European Union industry ministers, approving Ecu5.8bn (£5.1bn) of state aid in return for 5m tonnes of capacity cuts, non-aided producers are holding back from offering capacity reductions. They want the Commission to take a tougher line on subsidies.

UK manufacturing output's rise in the past three months is expected to continue, providing further evidence of economic recovery. The consensus forecast for December's figures is an increase of 0.3 per cent on November. The annual rate is expected to pick up to 3.5 per cent, from 2.5 per cent in November.

Holidays: Brazil, some states in Germany (Carnival).

16

WEDNESDAY

S Korea's message to US



South Korea's foreign minister Han Sung-joo (left) begins a visit to the US (to Feb 19). It was originally planned as a trade trip in connection with the creation of the North American Free Trade area. However, as Seoul becomes increasingly concerned the war of words between the US and North Korea may escalate into confrontation, Mr Han is likely to recommend the US adopts a more conciliatory tone. On Saturday, he goes on to Mexico (to Feb 23).

UK retail price index for January will be scrutinised, after last week's surprise interest rate cut. As the Bank of England's quarterly inflation report spoke of an "asymmetric risk" that "a rise in underlying inflation seems more likely than a further fall", analysts will be looking for evidence that the cut was justified.

The headline rate is expected to rise to 2.6 per cent, from 1.9 per cent in December, as mortgage rate cuts in January 1993 drop out of the annual figure. Underlying inflation (excluding mortgage interest payments) is expected to rise from 2.7 to 3 per cent.

Papal letter on the family



The Pope's Letter for the Year of the Family is due to be published. The 100-page document develops the issues addressed in last October's encyclical *Veritatis Splendor*, which attacked a relativistic approach to morality.

Padraig Flynn, European Union social affairs commissioner, presents a proposal on immigration and asylum policy to the Commission. It will recommend that immigrants legally resident in any member state should have the right to travel and to seek employment throughout the EU.

CS\$14m charge: A former personal banking consultant with Royal Bank of Canada, Shanin Alidina, is due to appear in a Toronto court on fraud charges involving CS\$14m (US\$11m). Ms Alidina is accused of removing money from 72 customer accounts over a period of five years on the pretext of buying treasury bills. The bank has recovered CS\$6.4m, but faces losses of more than CS\$7m. The customers are being repaid.

Holidays: Brazil (Ash Wednesday, banks closed in the morning).

17

THURSDAY

Cypriot leaders to meet

President Glafkos Clerides of Cyprus and Rauf Denktaş, leader of the break-away Turkish Cypriot state in the north of the divided island, are due to meet in Nicosia.

The talks are to be chaired by Joe Clark, the former Canadian prime minister, now United Nations special envoy on Cyprus. Both leaders have agreed to a UN plan on confidence-building measures to improve relations between the Greek and Turkish Cypriot communities. These would include re-opening Nicosia airport and giving the Greek side access to Varosha, a suburb of Famagusta, after almost 20 years.

Bundesbank council meets: The policy-making council of the German central bank holds its regular fortnightly get-together to review monetary policy and consider whether interest rates should be reduced.

Markets have almost given up hope that the discount rate will be cut from the 5.75 per cent at which it has been since October.

US consumer price data for January have been exciting financial markets since the Federal Reserve's recent decision to push interest rates up a quarter-point last week.

The consensus expectation is for a 0.3 per cent rise on the month. Anything higher could spark fears of another Fed tightening in the next month or so, although the figure may be distorted by bad weather last month.

Vichy era revisited: Paul Touvier, the 78-year-old former intelligence chief accused of collaborating with the Nazis during the occupation of France, goes on trial in Paris for crimes against humanity. He is charged with passing seven Jews to the Gestapo. Touvier is the first Frenchman who held high office in the Vichy government to be tried.

Safes: Charles Rennie Mackintosh is today hailed as a master of 20th century design, but 40 years ago the Glasgow architect, craftsman, and artist was out of fashion, and Thomas Howarth was able to accumulate his furniture, drawings and watercolours cheaply.



Howarth's collection comes under the hammer at Christie's in London today. Estimated prices range from £200, through £30,000 to £40,000 for the high-backed oak chair (illustrated left), up to £900,000 for a mahogany writing cabinet designed in 1904. The sale is likely to bring in more than £1m.

LLOYD'S LISTS

Monday is official deadline for loss-making Lloyd's Names to accept a compensation package

18

FRIDAY

Yeltsin unfolds his plans

Russian president Boris Yeltsin's first state of the nation address to the joint chambers of parliament is expected to reveal his position on economic reforms after changes to the composition of his government.

Fiji national elections start on Friday, and continue for the following week. The poll was called in November by Sitiveni Rabuka, the prime minister, after his coalition government saw its 1994 budget defeated.

The election is likely to see Mr Rabuka's dominant Fiji Political Party come under pressure from the break-away Fijian Association. Led by deputy prime minister, Josefa Kamikamica, it was formed by the dissident MPs who forced the budget's defeat.

UK money supply: After a long spell in the doldrums, the growth of the broad M4 measure has picked up sharply in recent months, giving further evidence of economic recovery.

The annual rate is expected to rise in January to an annual rate of 5.7 per cent, from December's 5.5 per cent, but still well within the government's 3-8 per cent monitoring range.

19-20

WEEKEND

Nato ultimatum on Bosnia

Nato has said that it will attack from midnight on Sunday any artillery not under UN control within 20km of Sarajevo, the beleaguered capital of Bosnia. It would be the first time Nato has fired a shot in anger in its history.

French miners' unions plan a protest in Paris on Saturday at what they see as a government decision to accelerate the run-down of the coal industry and to promote nuclear power.

Uster peace process: John Major and Albert Reynolds, the UK and Irish prime ministers, meet on Saturday for the first time since December to discuss strategy ahead of Sinn Féin's conference in Dublin on February 26 to 27. Mr Reynolds will be in London for the England-Ireland rugby match.

Five Nations' Rugby: England play Ireland at Twickenham and Wales play France in Cardiff on Saturday.

Cricket: England start the first test against the West Indies at Kingston, Jamaica on Saturday.

Compiled by Patrick Stiles and Martin Mulligan. Fax: (1-44) (0)171 873 3194.

ECONOMIC DIARY

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Dec business inventories	0.6%	0.6%	
Feb 14	US	Jan Atlanta Fed index	-	14.1%	
	France	Nov current account	FF66bn	FF77.5bn	
	UK	Jan producer prices index input	0.2%	-0.1%	
	UK	Jan producer prices index input	-1.6%	-0.8%	
	UK	Jan producer prices index output	0.6%	0.5%	
	UK	Jan producer prices index output	4%	4%	
Tue	US	Jan industrial production	+0.4%	0.7%	
Feb 15	US	Jan capacity utilisation	83%	82.8%	
	Japan	Jan wholesale price index	0.1%	0.1%	
	Japan	Jan wholesale price index	-3.1	-3.1%	
	UK	Dec manufacturing output	0.3%	0.3%	
	UK	Dec manufacturing output	3.5%	2.5%	
Wed	US	Jan housing starts	1.38m	1.54m	
Feb 16	Japan	Jan trade balance - custom cleared	\$6.2bn	\$12.9bn	
	Japan	Dec industrial production seasonally	-	2.2%	
	UK	Jan retail price index	-0.3%	0.2%	
	UK	Jan retail price index	2.6%	1.9%	
	UK	Oct, ex-mortgage int payments	3%	2.7%	
	UK	Jan retail sales	0.6%	-0.2%	
	UK	Jan retail sales	3.3%	4%	
	UK	Jan PSBR	-£2.4bn	-£2.1bn	
	UK	Jan unemployment rate	-25,000	-48,800	
	UK	Dec average earnings	3%	3%	
	Canada	Jan consumer prices index	1.7%	1.7%	
Thur	US	Jan consumer prices index	-0.3%	0.2%	
Jan 17	US	Oct, ex food and energy	-0.3%	0.3%	
	US	Philadelphia Fed index	-	34.2	
	US	Jan real earnings	unchanged		
	US	M1 - w/e Feb 7	+\$1.6tr	\$0.1bn	
	US	M2 - w/e Feb 7	+\$8.8bn	\$4.8bn	
	US	M3 - w/e Feb 7	\$5.9bn	\$5.9bn	
	Japan	Jan money supply/M2/cash dep.	-	1.5%	
	Canada	Dec manufacturing new orders	1.3%	1%	
	Canada	Dec merchandise trade surplus	C\$1bn	C\$736m	
	Canada	Dec wage settlement increase	0.6%	0.1%	
Fri	France	Dec industrial production seasonally	0.1%	0.6%	
Feb 18	UK	Jan M4	0.4%	0.7%	
	UK	Jan M4	5.7%	5.5%	
	UK	Jan M4 (seasonally)	£2.6bn	£4.1bn	
	UK	Bdg act net new commitments	£2.1bn	£2.1bn	
During the week...					
	Germany	Jan wholesale price index	0.2%	0%	
	Germany	Dec trade balance	DM7bn	DM9.2bn	
	Germany	Dec current account	DM6bn	DM1.3bn	
	Germany	producer price index	0%	-0.1%	
	Italy	Dec industrial production	-0.4%	-3.5%	
	Italy	Dec producer prices index	4%	3.9%	
	Spain	Fourth qtr unemployment rate	23.9%	23%	

*month on month, **year on year

Statistics courtesy MIMS International

Other economic news

Monday: UK producer prices for January are published. Margins are expected to widen further, with input prices falling by 1.6 per cent on the year and output prices rising by 4 per cent. The median forecast for the output price index, excluding food, drink, tobacco and petrol, points to "underlying" inflation of 2.9 per cent at the factory gate.

Tuesday: US capacity utilisation is expected to show a rise to 83.0 per cent in January, up from 82.8 per cent in December, indicating that recovery has continued into the first quarter.

Wednesday: More UK economic statistics for January are published. The consensus forecast for the public sector borrowing requirement is £2.4bn, although analysts' predictions range from zero to a deficit of £1.2bn.

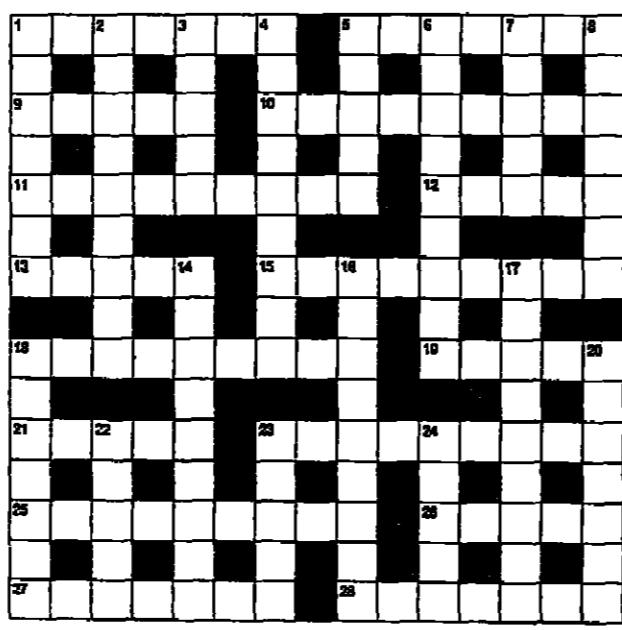
Seasonally adjusted unemployment is expected to decline by 25,000 after December's fall of nearly 47,000.

The annual increase in average earnings is expected to stay at 3 per cent.

Thursday: US merchandise trade balance for December is published today and is expected to remain in deficit to the tune of \$10.2bn.

- ACROSS**
- Mollusc needs some deodorant round the top (7)
 - Surgical tool for reversal of jamble (7)
 - Australian marsupial keeping set at lover (5)
 - Display mark of wound from two-seater (6,3)
 - Without milk, give birth to a beast that's almost a pirate (5,4)
 - Terry seems to have "em" missing from sequence (6)
 - Turn out from 6 etc (5)
 - Corporal punishment appropriate for the careless (4,5)
 - Mountain climber Lucian dressed in warm coat... (9)
 - Underground traveller encountered on some road (5)
 - I move round outside in Italy (5)
 - In a word, bribe a flier to build an arbour (6,4)
 - Take a service for a fishy eight (9)
 - Indian food I rot in Irish prison (5)
 - Past's agreement to go back around the underworld (7)
 - Dredger taken for granted? (4,3)

- DOWN**
- Bad rule, altered but seldom replaced (7)
 - Fellow with a way on board (7)
 - Put down unsuitable wine (5)
 - Bad press in face of scattering (9)
 - It's held by the speaker to disconcert (5)
 - Yorkshire town: may her meat perish (9)
 - Do better than 90 among fish (5)
 - Sound in hovel is far from tender (7)
 - Catch line, possibly: knock-out may follow (9)
 - Award hero strangely for triangular mark on shaft (9)
 - Girl's name, name that's aristocratic (9)
 - Turn out in part of Faustus is daft (7)
 - Not even workers on short time get left over (7)
 - Search to steal a weapon (5)
 - Like watchful eyes, live on wrong day (5)
 - Dance for eccentric bachelor (5)



MONDAY PRIZE CROSSWORD

No.8,379 Set by CINEPHILE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £50 Pelikan vouchers will be awarded. Solutions by Thursday February 14, marked Monday Crossword 8,379 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8NL. Solution on Monday February 28.

Name: _____
Address: _____

Winners 8,367

J. Brady, Naas, Co Kildare
G.E. Card, Goring-by-Sea, W. Sussex
S. Fairhead, Amersham, Bucks
Barbara E. Herold, Blackbrook, E. Sussex
R.D. King, Burgess, Kirkcudbright
E.W.J. Teale, Harborne, Birmingham

Solution 8,367

SEAWATER SCARER
CENNY NAE
RECENT CAMBER
A U I U O B E
GURGE OPERATION
E A L B G A
ENTREE WATCHED
S C E E E A E
PREGHIE SPRING
A H R O G
RINGENCE PASTE
K O E P L H N
UNION CATARACT
E I C E
GASHER TAYWERY

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Californian brandy -
unless you're up to your
neck in snow with a
St. Bernard approaching."

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HOT DOC SKIER, CALIFORNIA.



INTRODUCE SOME CALIFORNIAN INTO
THE CONVERSATION.

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